CANADIAN BANK OF COMMERCE

IMPERIAL BANK OF CANADA

A HISTORY
OF
CANADIAN IMPERIAL BANK OF COMMERCE

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BY

ARNOLD EDINBOROUGH

VOLUME IV

1931 - 1973

TORONTO
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FOREWORD

THIS FOURTH VOLUME of the continuing history of the Canadian Imperial Bank of Commerce begins in 1931, which is where Volume 3, by A. St. L. Trigge left off. It ends in 1973 when Mr. Neil McKinnon stepped down as chairman. Between those years the Bank toughed out the worst depression the world had ever seen, helped to fight a global war, saw Canada emerge as an industrial nation and world power and saw credit become universal with the advent of credit cards. It also merged, the latest of many such mergers and acquisitions in its history, with the Imperial Bank of Canada.

For the early years of this volume I have relied heavily on the research, and the first draft of a history, by Mr. C.F.E. Carpenter. From 1960 on the research has been done personally. The minute books of the Bank were open to me, as was a wealth of inter-office correspondence, internal reports, policy papers and press clippings.

The Annual Reports not only provide the vital statistics of the Bank's operations, but have thoughtful essays by a succession of general managers, presidents and chairmen setting the Bank's performance in a national and international context.

The staff magazines – *Caduceus, Current Account*, and *The News* – are a valuable source for the general tenor of Bank life. In addition to all this printed material, I have talked with many people, some staff, some Board members, about a particular event or issue, or about a particular era.

From the Board, these have included Mr. John D. Leitch, Mr. W.F. MacLean, Mr. André Monast and the Hon. Robert Rogers. Senior staff members have been Messrs. Frank

Duncanson, George Lethbridge and Donald Simpson.

I am particularly grateful to Mr. Donald Fullerton whose idea it was to commission this book, and who gave freely of his time and advice in furthering the project.

Mr. Al Flood, the present Chief Executive Officer was also generous with his ongoing support as we proceeded with the History.

Mr. J. Page R. Wadsworth taped a series of interviews covering his over half-a-century of service to the Bank, and also read the first draft of the manuscript and saved me from many errors.

Both Mr. Lawrence Greenwood and Mr. Russell Harrison gave me interesting perspectives on a variety of issues.

To two people above all I am indebted: Mr. James Bickford and Mr. Clifford Shirley. They have read each chapter as it was written and gave not only factual advice but also arranged for extra contacts.

But at no time did they, or any other person with whom I have talked, suggest what should be written. Though this is an official history I have had complete freedom to say what I wanted to say and to seek out any material on which to base my opinion.

Much of the referenced material was available thanks to the Bank's extensive archival collection. Archivist May Isaac and Assistant Archivist Jill ten Cate worked wonders not only to find specific documentation but relevant images to illustrate the text. That text, from a very peccable manuscript has been impeccably translated into disc by my long-time secretary Ms. Eileen Love.

To all who have helped, and for the patience of my wife, my most sincere thanks.

ARNOLD EDINBOROUGH
Toronto-Meaford
1991-1995

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A HISTORY
OF
CANADIAN IMPERIAL BANK OF COMMERCE

THE CANADIAN BANK OF COMMERCE
Head Office, Toronto
(From a Watercolour and Pencil Rendering By S. H. Maw)
Darling and Pearson — Architects
York and Sawyer — Consulting Architects

PLATE NO. 1

Chapter I.

The Tallest Building

WHEN THE CANADIAN Bank of Commerce's shareholders met for their 64th Annual Meeting, they did so in a splendid new 34-storey head-office building — the tallest building in the British Empire. It had been planned originally for seven storeys, with the rest to be built on later, but the boom times of the late 1920s had created such a demand for its prestige office space that all 34 had been built at once. Now it was January 13, 1931, and the world was in the grip of a massive depression.

But the world's affairs did not make the opening of this mammoth building any less triumphant. It represented in itself both the stature of the Bank in the nation's economy and the growing confidence of Canada's architects and craftsmen. Standing 476 feet above the sidewalk at King and Jordan streets in Toronto, the building was massive in conception, elegant in design, and opulent in its decor.

The architect was John A. Pearson, the senior member of the noted Toronto firm of Darling & Pearson. He had designed the new Centre Block of Canada's Parliament Buildings in Ottawa after the old one had been devastated by fire in 1916. His firm had designed the Royal Ontario Museum and the convocation hall of Trinity College in Toronto. He was at the time Canada's leading architect and the building which the Bank had commissioned was certain to be the most admired of his many works.

The outside of the building dominated the skyline. Inside, its principal banking hall dwarfed any other such place of business within the Dominion. Measuring 141 feet long, 83 feet wide, and 62 feet high, the hall was capped by a plaster ceiling,

LAYING THE CORNERSTONE

First row: John A. Pearson, F.R.I.B.A., Architect for the New Building, the Rt. Hon. Sir Thomas White, K.C.M.G., Vice- President of the Bank; Miller Lash, K.C., Director; Sir Joseph Flavelle, Bart., Chairman of the Board; Lt. -Col. Duncan Donald, Supervisor of the Bank Premises; the foreman mason; S. H. Logan, General Manager.

Second row: V. D. Horsburgh, F.R.I.B.A., Supervising Architect of the Dominion Realty Company; Henry J. Grosse, Vice-President of Anglin-Norcross Ltd., (Contractors);
H. M. Hunt, Head Office Engineer; J. J. McWilliams, Rental Agent; C. Harrington and A. Burnett of Anglin-Norcross Ltd.; James Nicholl, Assistant Supervising Architect of the Dominion Realty Company.

coffered like that of a Renaissance palace — the coffers painted a pale sky-blue, their surrounding mouldings gold, all interconnected with ornamented buff bands.

The heart of the building was the directors' floor with its three private dining rooms, "...it being a theory of this bank," said a writer in the house organ, *The Caduceus*, "that one of the most satisfactory ways of doing business is over the luncheon table." The spacious boardroom led through French doors onto a tiled veranda overlooking Lake Ontario.

The detailing of the interior, with its bronze tellers' wickets, its inlaid bronze elevator doors, its murals in various public spaces, was remarkable. No expense had been spared to allow the building to make a most impressive statement of the Bank's resources and its faith in the nation's future which it stood ready to finance. No wonder that some 4,000 people flocked to see it when its doors opened to the general public the next day, January 14. But the president, Sir John Aird, sounded a properly cautious and non-exultant note about the enterprise in his speech to the Annual Meeting therein assembled.

"One may regard this massive building as a structure representative as far as possible of the best in Canadian design, skill and material and, of course, we've spared no effort to make it such. But taking for my cue the experience of the general manager who performed his first administrative duties for the bank in a tent set up in the woods of Northern Ontario, I should like to point out the new head office building is typical of what may spring from small beginnings in a land of opportunity such as Canada. On this site there stood more than a century ago, a small church in a community of about 1,000 people and a few hundred buildings."

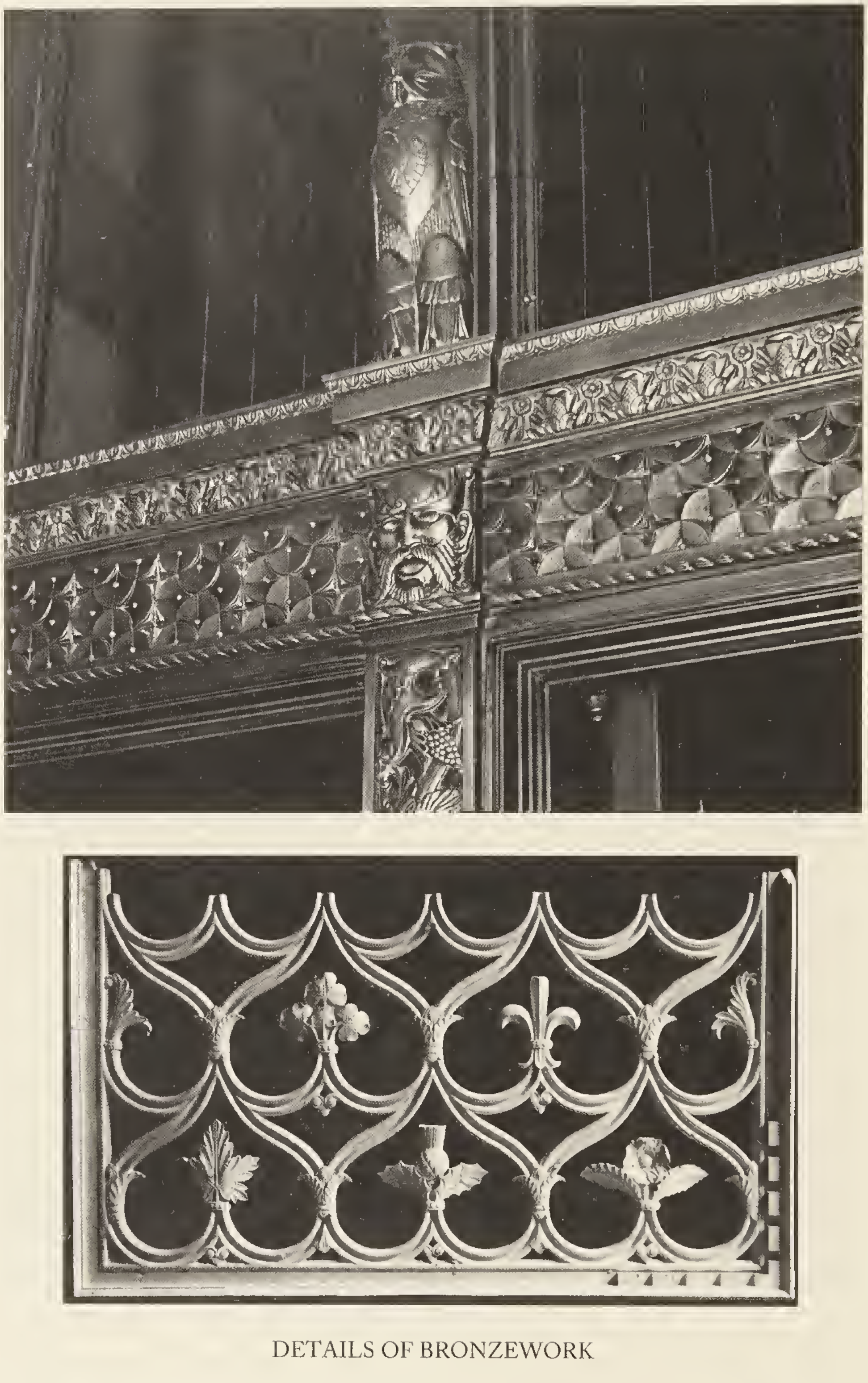
The assistant general manager, Mr. A.E. Arscott, had told the previous Annual Meeting yet another businesslike fact about the building. "In addition to our own requirements, we have provided approximately 107,000 square feet of office space for rental, all of which was leased nearly a year ahead of the time of occupancy."

BANKING HALL

The head-office people who soon after the 1931 Annual Meeting moved into the building numbered almost 300. The staff of the main Toronto branch now ensconced in their imposing banking hall numbered another 300. Together, they represented over 10 per cent of the entire work force of the Bank. Yet, as an early commentator reported, "What with a fairly limited turnover and relatively few transfers, it was not impossible for a person to know by sight, if not by name, most of the people who worked in the building."

This family feeling comes through strongly in the Bank's staff magazine, *The Caduceus*. The April 1931 issue (Vol. XII, No. 1) had 14 half-page illustrations of the new building, but also a proud account of the Annual Ball of the Athletic Association held in the Royal York Hotel "which once more resumed its old-time grandeur, but on an even greater scale....Sir John [president of the Bank] and Lady Aird and Mr. Logan [general manager] received the long line of guests, numbering in all about 1,100. Dancing took place in the Crystal Ballroom and in the Banquet Hall in each of which a large orchestra was stationed. Decorations in maroon and gold, interspersed with smilax, roses and spring flowers [this in January] combined with coloured lights to produce a most pleasing effect. At midnight supper was served in the Concert Hall from the stage of which Jack Arthur and his Dancing Girls gave a varied programme of entertainment."

Such celebrations were always a feature of *The Caduceus*, giving the staff right across the country a glimpse of what happened at headquarters, and also documenting the activities of those members of the Bank who came to Toronto to join them. But the rest of the country was never neglected. *The Caduceus* also carried reminiscences of the early days of banking in Rossland, B.C., and Portland, Oregon. A short story, *Spring Fever*, begins "'And', said the exceedingly pretty attendant on the Head Office elevator, 'have you Spring Fever too?'." There is an account of the W.W. Powell Company Limited's factory for making match blocks [the white pine blocks used for



DETAILS OF BRONZEWORK

matchsticks], the Powell Company being the major customer of the Bank in Nelson, B.C. There are accounts of Bank experiences and Bank get-togethers in Hamilton, Winnipeg, and Montreal; Monitor, Alberta; Kirkland Lake; Lashburn, Saskatchewan; Calgary and Vancouver. The text is sprinkled with several humorous 'fillers' of such quality as: "Why haven't there been any marriages in Scotland lately? They've just heard about *free* love."

Printed on coated paper, the illustrations made from copper plates, *The Caduceus* was often 100 pages thick. It had articles by the senior officers of the Bank cheek by jowl with the notes from Bank managers in such places as Hanna, Alberta; Minden, Ontario, or Lunenburg, Nova Scotia. Its pages were full of humanity, of wit and information. Its jokes were quintessentially of the era: "At an evangelical meeting in Vancouver, the speaker had worked up his audience to a state of excitement about present world-wide conditions. He predicted further dire happenings in the business, economic and financial world and ended his discourse by prophesying that the world would come to an end in 1935. A bank manager sitting in the front row jumped to his feet and exclaimed: 'Good Lord, do we have to wait that long?'."

The issues of the day were discussed, from the gold standard to "Why not women bank managers?" The athletic activities of the various regions were covered in every number. One feels the togetherness of the Bank employees, of their pride in belonging to the Commerce family. Indeed, the pages of *The Caduceus* gave quarterly proof of the kind of sentiments expressed time and again at annual meetings.

At one particular Annual Meeting, it was Mr. Miller Lash who said:

"It is my pleasant duty today on behalf of the shareholders to move a vote of thanks to the General Manager and the Staff of the Bank for their services during the past year.

"In a period of depression such as this there is a great deal

more difficulty in carrying on one's daily work than is ordinarily the case. I think that is particularly true of the staff of a bank, on account of the intimate touch they have with the troubles of the community.

"In addition to the troubles that arise in the actual carrying out of their work, they are subject to outside distractions nowadays, the chief of which seems to me to be the enormous flood of advice and opinion that is poured out on all of us by so-called financial experts or economists, most of which does not seem to us rough-necks to have much practical application. The written stuff we can avoid by not reading it, but we are all more or less familiar with the man with a glare in his eye who insists on telling us all about the Silver Question for instance, touching lightly at the same time on Manchuria and Reparations, Invisible Imports and things like that. It is all very impressive unless one happens to have read the same magazine article that he has....

"The worries of the staff are also added to in another direction, that is because in some circles there is a tendency to blame everything on the banks, or the banking system. If a man's wife has too many children, or his livestock not enough of them, he blames it on the banking system at once....

"Perhaps the only real solution is for all of us who are fortunate enough to have a job to go on with it as well as we can, efficiently, if possible, at any rate diligently and loyally, and that is what the General Manager and Staff of the Canadian Bank of Commerce are doing."

The reply, by Mr. A.J. Reynolds, was equally deeply felt:

"Mr. President and gentlemen: After listening to these eulogistic references we of the staff might almost be pardoned if we concluded that we are a pretty fine lot. Perhaps we do not deserve the strictures that sometimes emanate from Head Office about our little failings. After all, we all have them, haven't we?

"However, this is the only public occasion during the year in which the staff have an opportunity to give audible testimony to their loyalty and goodwill to the Bank. It is a great privilege to

be the mouthpiece of the staff on an occasion of this sort, which is rightly regarded as the most colourful, the most emotional and the most human part of the annual proceedings.

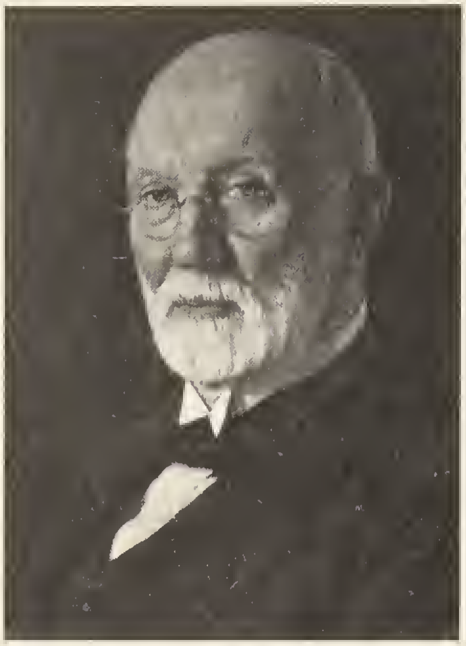
"We can almost visualize the Bank as a human body, consisting as it does of a head and members; it also has a heart, but it is very hard to convince the public that that is so. Furthermore the Bank has a soul, a motivating force, and the staff gentlemen, is the soul of your Bank, I believe its greatest asset."

This family feeling, this corporate loyalty had to be worked on, for in the years immediately preceding 1930, the Bank had expanded its staff and business greatly, both by the natural growth of the economy and by a series of acquisitions, the latest of which was the takeover of the Standard Bank in 1928. In 1929, therefore, the Canadian Bank of Commerce was Canada's third largest bank.

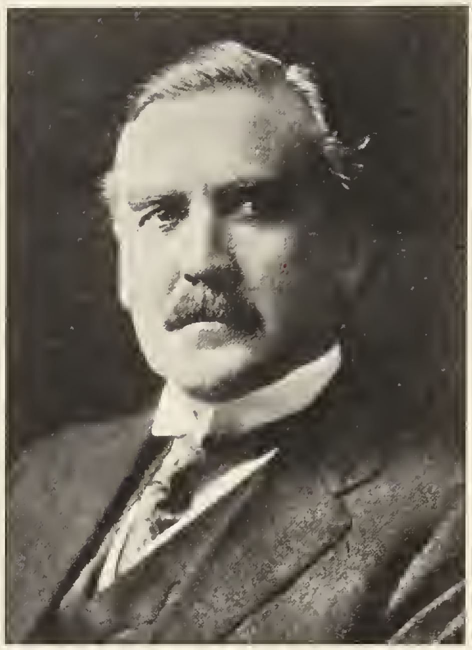
On November 30, when the Bank's year closed, assets totalled over $801,000,000, of which $532,000,000 were advanced to its customers. Deposits, closer in total to loans than they would ever be in the next thirty or so years, amounted to a record $563,000,000. Since the turn of the century, the resources of the Bank had increased nearly twentyfold. This remarkable growth had been paralleled in the number of branches operated by the Bank. There were 800 of them, almost fourteen times the total in 1900. They were to be found in all the provinces of Canada, in Newfoundland (then still a separate dominion) and St. Pierre and Miquelon, in London, England, in key cities of the United States, in the West Indies, and in three great capitals of Latin America — Havana, Mexico City, and Rio de Janeiro.

So the new headquarters building was not created just to impress the populace or give a sense of pride to the far-flung staff (many of whom would never see it except in the pictures in *The Caduceus*), although it did both. It was necessary to house a growing headquarters staff.

At the head of this staff was Mr. S.H. Logan, the general manager, and his five assistant general managers: Mr. N.L.



SIR JOSEPH FLAVELLE



THE RT. HON. SIR THOMAS WHITE, G.C.M.G.

A. E. ARSCOTT

S. H. LOGAN

McLeod; Mr. R.A. Rumsey; Mr. F.M. Gibson; Mr. B.P. Alley, and Mr. A.E. Arscott, all based on the fifth floor. There were ten major departments: the Foreign Department, headed by Mr. T.B. Weatherbee; the Chief Accountant's Department, under Mr. E.J. Meek; the Secretary's Department, under Mr. F.C. Biggar; the Bank Premises Department, headed by Colonel Duncan Donald; the Credit Department, under Mr. A.E. Arscott; the Inspection Department, with Mr. S.M. Wedd as Chief Inspector; the Corporation Executive Department, headed by Mr. George R. Cottrelle; the Budget Department, headed by Mr. W.A. Anderson; the Business Development Department, under Mr. R.A. Rumsey, and the Staff Department, under Mr. C.L. Foster, who had the rank of Inspector.

The Foreign, Budget, and Chief Accountant's departments were on the fourth floor. The Inspection Department and the Staff Department with sundry other support staff, including the stenographers' pool, were housed on the sixth floor. The Premises Department was on the eighth, and the Business Development Department plus the Library, the archivist and some tenants were on the ninth. The other floors were all occupied by a variety of tenants who, as had been noted in 1929, had leased the rest of the space in the building a year before they occupied it.

Among these departments were some that were relatively new and whose birth and function have not been noted in the previous volumes of this history. Others had changed direction to cope with the problems of depression as the directors and management committee envisaged them.

The Foreign Department was one of these. Established in August 1917 under Mr. S.H. Logan (by now the general manager), it had been suggested originally by Sir Edward Peacock in 1912, but the First World War put the idea on hold. By 1916, a memorandum had been prepared for management identifying the principal objectives of the department, which were to secure new business from European and American banks, and to coordinate and facilitate the handling of all the foreign exchange business of the Bank.

By 1929, some 70 people were employed in the department, working in five distinct groups: a Trading Section, Accountant's Section, British and Foreign Section, United States and Bookkeeping Section, and a Research and Statistical Section. The first section, equipped with the latest mechanical aids, including a trading table with four positions and direct telephone lines to foreign exchange brokers and telegraphic companies, had also Morse and teleprinter connections with New York and Montreal; it handled the foreign exchange business of the Bank, which had accounts in 22 countries. The second section dealt with matters relating to personnel, audit, the development of foreign business, and the general secretarial duties common to a large office. The third section looked after correspondence and arrangements with the Bank's agents in the United Kingdom and countries other than the United States, the handling of collections and documentary bills payable in those countries, the issuance of commercial letters of credit, and the liquidation of accounts maintained abroad. It also took care of the dispatch of mail, cable remittances, and other instructions involving the payment of money. The fourth section dealt with banks in the United States, controlling the accounts maintained with some 65 banks there and making the necessary arrangements for business with them. In addition, that section looked after the bookkeeping of the department including the preparation of the monthly statements and the daily posting of entries and branch clearing returns. The fifth section, as its name implied, studied, summarized, and interpreted statistical data and, as required, prepared reports for branches, their customers, and management. At its peak in 1929, 70 people were employed in this department; by 1935 there would be barely 50.

The Corporation Executive Department was a clumsy name for what became, as the decade advanced, a most significant part of the Bank's operations. It sprang from the old office of the Supervisor of Utilities which had been established by Mr. Cottrelle in 1925. A man of great ability and a wealth of experi-

ence in reorganizing and assessing public utilities that were constantly seeking new bond issues, he advised on such loans only after extensive research based on solid statistical information. That foundation of in-depth analysis was even more necessary to the Bank's corporate business in the big boom of the Roaring Twenties. And, alas, it was essential now that the big boom had collapsed. What had been the base on which to build significant new business now became the instrument to judge which accounts were in trouble and how they might best find their way out of it. If any existing important account showed any alarming symptoms, the department could be called upon also to determine whether the conduct of operations could be remedied and the account restored to the "desirable" class, or whether general conditions or management itself were so unsound as to necessitate withdrawal of the Bank's support. The department was also available to help and advise customers on general policy and the special problems of their respective businesses.

As might well be expected, the organization of the department had taken time, since there was no precedent on which to build and the tradition of Canadian banking practice ran, to some extent, in a contrary direction. After finding, and sometimes training, the necessary personnel, Mr. Cottrelle had to develop methods of gathering and analysing information. Published statistics from both government and trade sources had to be supplemented by contacts with well-informed men in many spheres of activity. All this called for patience. There was no end to the diversity of the problems brought to the department in those days; some might involve work of only a few hours or days, but others ran into weeks and even months.

As conditions deteriorated after 1930, the most common problem, and the one which took the most time and effort, stemmed from accounts which had for some reason or another become slow or "locked up." The first step taken by the department was a survey of the customer's affairs that included a complete examination of all the important aspects of the business and of the position it filled in its particular industry, its type of

product in relation to that of competitors, the quality of its product in relation to its selling price, its style, and its suitability to the market. Other questions were asked: Was the advertising imaginative, or was it too expensive or inadequate? Was the layout of the plant efficient? Was the machinery modern and suited to the circumstances? Were production planning and accounting methods up-to-date? In brief, the department was to determine if the business was being capably managed and, if not, what were the points of weakness that could be remedied in time to restore the business to health and thereby cause the Bank's loans to be reduced to normal proportions or, if necessary, paid off. Wherever possible, the recommended program was carried out by the executives of the business itself and the department did not attempt to take over a business unless the weaknesses were so serious that more capable men had to be brought in. There were some such cases, of course, but they were very few. Once a policy was decided upon, the department more usually assumed an advisory position, although progress towards normal health would be watched very closely. This usually called for the preparation by the business of a budget on a monthly basis with a forecast of sales, production, operating expenses, and profit and loss.

As the Depression worsened, Mr. Cottrelle's services were sought by people and groups outside the Bank. He was a member of the so-called "Bankers' Committee" formed in 1931 under Mr. (later Sir) Edward Beatty to investigate the possibilities of some form of co-operation among the leading newsprint producers of eastern Canada. This strategic industry was in dire straits, and Mr. Cottrelle was given much of the credit for helping it survive. He was elected a director of the Bank in 1938, at the same time retiring from work in this department. It has been estimated that, by that time, of the accounts which had come before Mr. Cottrelle, almost half of the businesses had completely liquidated their indebtedness to the Bank and of these, about one third had continued as satisfactory customers. Of the remainder, a further 20 per cent had so improved as to

become desirable accounts, and another 20 per cent showed every sign of so becoming shortly.

In some ways parallel to the Corporation Executive Department was the Business Development Department, also new. Formed in March 1929, it concentrated the efforts of those "travelling representatives" whose purpose was to develop new business both with other banks and new or potential customers. They had been appointed throughout the 1920s at various regional departments. One was Mr. P.A. Green, for example, who was a special representative in the London, England branch.

The duties of these people included the obtaining each year of a credit report on every banking correspondent with whom the Bank had a business connection. Green found this particularly onerous, especially when, in seeking information from the Bank of England about the Bank of Ireland, he received a note from that august institution's chief cashier which stated: "They [the Bank of Ireland] are nearly as good as we are, but think they are better." This translated into a memo to head office in Toronto as "considered very respectable and entirely good for their engagements."

Instead of reporting to the Foreign Department, or to their regional superintendents, these people now co-ordinated their efforts through the new department under Mr. R.A. Rumsey.

Just as these latter two departments laid a solid foundation for the future of the Bank after a second World War, another new department proved invaluable in dealing with the exigencies of the Depression, although it had not been specifically founded for that purpose.

The Budget Department came into being in 1929 as a result of initiatives by Sir Joseph Flavelle, who had been elected chairman in 1924. Sir Joseph noted that banks, though conscious of the need for keeping costs down as well as revenues up, were not generally aware of the application of the cost-accounting principles being increasingly used in business generally. As a start, in 1925, branch managers were supplied with figures analysing

unit and salary costs of services performed and the total operating costs, expressed as a percentage of the combined loans and deposits for the previous fiscal year. The following year, in September 1926, stress was laid on the need to follow a plan whereby all managers would set an objective for the development of specific areas of their business. Under this plan, each manager was asked to determine a monthly target for new savings accounts and the sale of drafts, money orders, and the like, and to decide his intended level of achievement for the ensuing quarters of the Bank's next business year. Semi-annual group meetings of managers in local areas were called to discuss business building and methods of realizing objectives. In July 1926, managers were advised that the expression "budget," previously used only in relation to expenses, would thereafter be applied to a projected forecast of revenue for a definite period in advance compiled from objectives for each component part of the branch business. With this in view, an estimate for a half-year ahead and a report of actual results each month was called for in anticipation "that weaknesses may be detected promptly and corrected, or satisfactorily explained."

It appears likely that the Bank was a leader of its kind at this time in cost analysis and control. In any event, the system, though it was to vary over the years, became firmly established as an integral part of the Bank's operation. The time and effort spent in determining how such a plan might best be adapted to banking needs was to be amply repaid in subsequent years. Credit for the development goes to Mr. S.M. Wedd, Chief Inspector, in whose department the preliminary studies were carried on with the assistance of Messrs. J. Moreton and P.H. Nowers. All worked, however, under the guidance of Sir Joseph Flavelle.

Only after the amalgamation with the Standard Bank, however, did all this effort become concentrated in its own department under Mr. W.A. Anderson.

As the Bank faced the new decade, therefore, it had positioned itself nicely. The new headquarters were impressive. The

staff was a cohesive whole, despite its dispersal over the 4,000-mile breadth of Canada. The corporate organization was well-designed. The board of directors was a *Who's Who* of business in Canada. Its chairman, Sir Joseph Flavelle, was a true captain of industry. Its president, Sir John Aird, was prominent in both the social and economic life of Canada and he had served the Bank for more than 52 years.

With pride in the new setting for his annual address on that January day in 1931, he said:

"It is impossible to escape the conclusion that we cannot take a flying leap from depression to prosperity. But we have passed through more than a year of depression, so are that much nearer its end, and as economic life is ever in a plastic state recuperative forces are at work. Recovery is certain. The time required to bring it about will be determined largely by our resourcefulness and ingenuity. It is necessary that we work harder, reduce production costs so as to establish an intimate relationship between producers' and consumers' prices, particularly as affecting the farmer, and generally display the same high courage that in the past helped us to overcome depression. Let us throw off our fears and turn our minds resolutely to clearing the way to prosperity in a country that is one of the most fertile in opportunity for progress."

OAKWOOD AND VAUGHAN BRANCH,
Township of York
A line-up for relief pay

Chapter II.

The Terrible '30s

SIR JOHN AIRD's brave words about the Depression were prophetic in one sense: no one, and no country, would take a "flying leap from depression to prosperity." It would be ten gruelling, hard, politically confused years before the Depression was finally over.

The causes of the Depression are pretty clear in hindsight. Wild speculation on the New York stock market, and equally flamboyant margin-buying on Canadian exchanges during the latter half of the 1920s came to a sudden halt in October 1929. The whole credit pyramid toppled. Required to cover their stock purchases, buyers merely defaulted. Prices tumbled. Abitibi fell from a high of $57\frac{3}{4}$ in 1929 to 1 in 1932. Canada Cement fell from 36 to $2\frac{3}{4}$ in the same period. International Nickel went from $72\frac{1}{2}$ to $4\frac{1}{8}$, Winnipeg Electric from $109\frac{1}{2}$ to 2.

But the end of greedy speculation, mostly unregulated by the exchange authorities, did not cause the Depression. It merely triggered it.

The real causes were much deeper.

In Europe the harshness of the Treaty of Versailles (1919), by which the victorious Allies demanded huge reparations, finally destroyed the already fragile German and Austrian economies. In the summer of 1931, the Austrian Kreditanstalt defaulted. In September of that same year, the United Kingdom announced that it would no longer back its currency with gold reserves. It went "off the gold standard," and the pound fell 20 per cent in value overnight.

Foreign exchange was suddenly a political, not an economic matter. The old method of calculating international debts was suddenly jettisoned. For all intents and purposes, the foreign

exchange market was dead.

Companies that had borrowed in other countries reneged on their obligations. Foreign trade — export trade — was crippled.

For Canada this was much more serious than for most other countries. Its whole 1920s prosperity had been based on the export of minerals, wood pulp, wood products, and wheat. The natural resources had been mainly exported to the United States, the wheat to Europe. When the Smoot-Hawley Tariff Act passed in the U.S. Congress, a wall was put up against such imports. And Europe could no longer afford the wheat. It became completely impossible for Canadian firms to maintain their traditional trading patterns. In 1929, before these events, though Canada had less than one per cent of the world's population, it ranked sixth among the world's trading nations. In that year, exports were valued at $1.4 billion. Four years later, in 1933, they were down to just a third of that, at $475 million.

Over-production in the mining and pulp and paper industries had glutted markets even before the crash. The disappearance of markets altogether was a blow which ruined many well-established firms in these sectors.

But the trade and industrial sectors were relatively lucky compared with the agricultural one. Here markets had already been so oversupplied by the end of the 1920s that prices fell before the Wall Street crash. From a price of $1.60 a bushel in the crop year 1929, wheat fell to 38 cents a bushel in 1932. This was below the cost of production. Farm families (and agriculture on the prairies was still a family affair) found themselves unable to pay their running costs, including the servicing of their loans on equipment and machinery.

Then came the drought: searing hot winds tore the topsoil off the farms and shrivelled whatever seeds did germinate. Yields dropped from 27 bushels an acre to three — hardly enough for seed, let alone sale. And the drought persisted for four terrible years, years which saw destitution previously unknown in Canada.

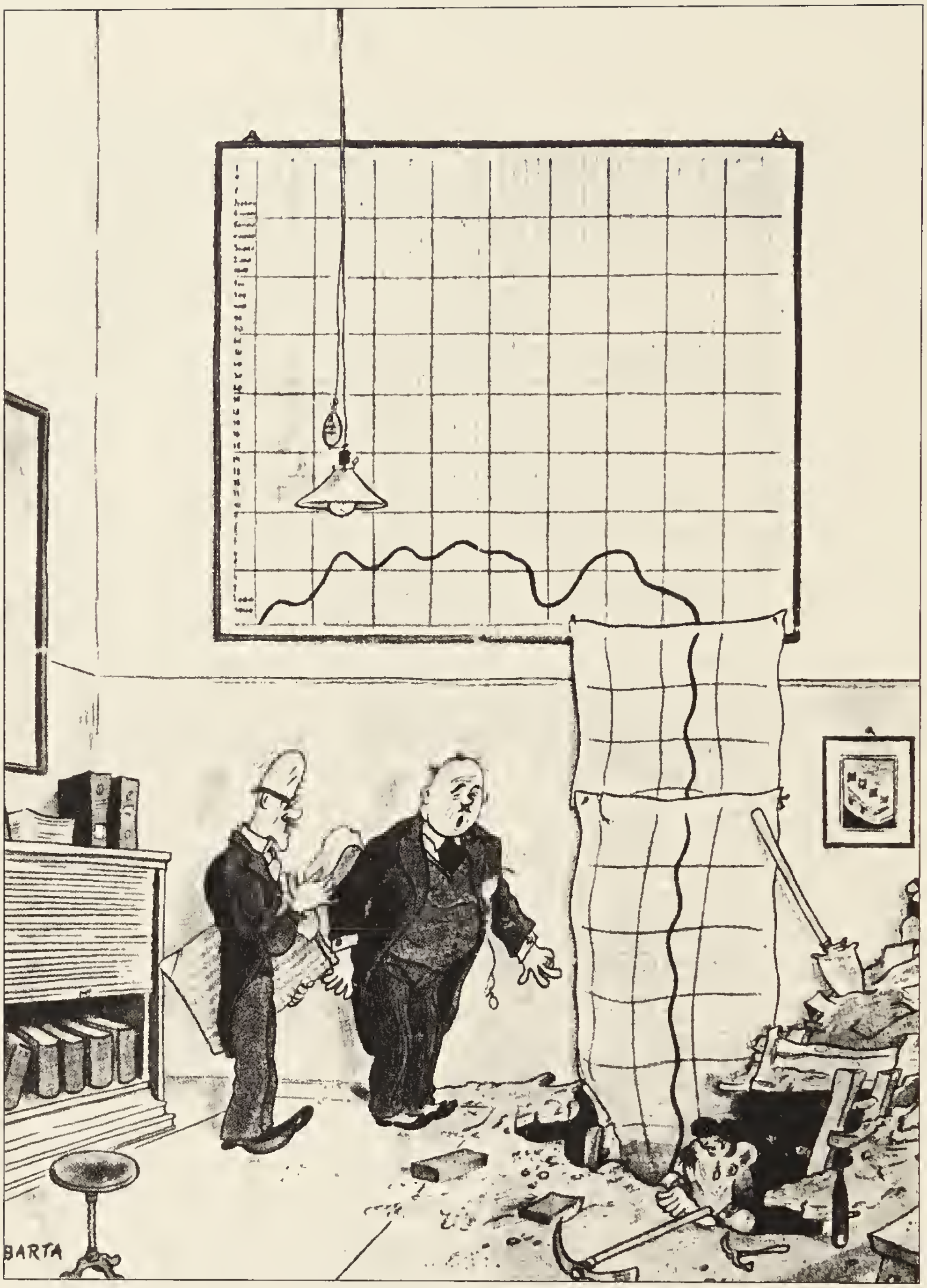
Farm income dropped from $392 million in 1929 to $66

million in 1933. Massey-Harris, supplier to the world as well as Canada, of the best and most advanced farm machinery, saw its stock fall from 67 ½ to 8 ½ in the same period. From 1933 to 1935 the Massey-Harris factories operated at about 10 per cent capacity. In the world at large, two out of every five factories were closed or idle. In Canada, one out of every six people in the labour market was unemployed, the total number having increased from 116,000 in 1929 to 826,000 in 1933.

In the face of such appalling conditions, what could the authorities do? What could banks do?

Well, what the Bank of Commerce did first was to curb expenditure. Right at the beginning of the period, in February 1931, a head-office memo asked managers "to see where every dollar was being expended," and requested a comparison of each year's operating costs with the figures for a year earlier. All bonuses and salary increases were discontinued. In small communities where there were two competitive banks, by agreement at the respective head offices, one would close. This rationalization was particularly felt on the Prairies. But big cities did not escape either: the Montreal Branch Clearing Department was eliminated in March 1931, all banks east of the Manitoba border clearing directly with Toronto after that date. Two years later, the Winnipeg Branch Clearing Department also closed and all banks in the Central West Region cleared through Toronto too. Even the former main Toronto branch of the Standard Bank of Canada (which had merged with the Commerce in 1928) was closed and the building itself sold.

As a result of these changes, a night shift was introduced at the main Toronto branch to process the late clearing. At its inception, this shift had a staff of four, two of whom worked from 6 p.m. to 2 a.m. and another two from 11:30 p.m. to 7:30 a.m. Cheques were collected from other Toronto banks in the early part of the evening and mail from the Post Office shortly after midnight. The new system called for the preliminary work-up of the larger items and branch cheque lists so that items for the main Toronto branch could be handed to the var-



"Mr. Director, to show the last balance sheet,
we shall have to dig down another three feet."

—Das Leben.

ious departments at the start of business each day; those for city branches were processed and ready for delivery by motorcycle at 8:15 a.m.

By March 1934, branch managers were instructed to prepare monthly business plans instead of the former half-yearly ones. Rigorous control of costs was demanded, to the point where at the Halifax branch inspection in 1932, the manager was told that in his apartment, "the position of the living room rug should be changed at times to avoid holes being worn in front of the settee."

Such austerity in Halifax was matched in Ontario. A bank employee who had been transferred from Beaverton to Toronto put in a claim for his car expenses. It was refused. He was given only $2.25, the price of the railway fare and the maximum allowable for the journey. Even used stamps were collected at Head Office and sold to a dealer.

The same strictures applied to salaries. As from June 1, 1933, staff salaries over $2,500 per annum were reduced by 10 per cent, those between $1,000 and $2,500 by seven and a half per cent, and those under $1,000 by five per cent. The president and general manager got the biggest cut of all: a flat 15 per cent.

All these measures, which now seem draconian, at least kept people employed. Better to be employed on a reduced salary than be unemployed, though the claim that no one in the Bank family lost his or her job during the Depression is hard to prove when each annual report showed a devastating number of branches that had closed: 26 in 1931; 41 in 1932; 42 in 1933; 25 in 1934; 39 in 1935. From 1929 to 1939, the number of branches fell from over 700 to 570.

Directors' fees were also lowered by 15 per cent, and the number of directors reduced.

The Bank was still profitable, but the profits reduced each year. In 1931, the net profit before taxes was $4,775,000. By reductions of almost $500,000 in each of 1932 and 1933, and smaller but still significant drops in succeeding years, the net profit in 1936 had shrunk to under $3 million.

The dividend paid had, for years, been 12 per cent. It now shrank to 10 per cent in 1933 and eight per cent in 1934. At the same time, the capital reserve fund had been reduced by one-third, from $30 million to $20 million, where it remained for the rest of the decade.

For all that, the Bank *was* profitable and the hundreds of thousands of people who had lost everything, especially those on the Prairies, were critical of institutions which, while collecting a few thousand dollars in defaulted loans, had reserves of $20 million and a profit of $3 to $4 million, not to mention so-called "inner reserves," the amount of which was never disclosed to the public.

The general manager, Mr. S.H. Logan, thought it necessary to justify the Bank's *modus operandi* in his address to the Annual Meeting on December 21, 1934.

"Pressure continues," he said, "on the banks to accord lower rates of interest to their borrowing customers. As bearing on this question, the following table, which appeared in our October *Monthly Commercial Letter*, shows the effect upon the return to bank shareholders from their investment if discount rates were lowered either by one-half of one per cent, or by one per cent.

Average total loans of all banks in Canada (at the end of December, each year)		Total of Shareholders' Investment in all banks$268,000,000
1923-1932..................	$1,296,540,444	Yield to Shareholders 6.3 per cent.
Average annual net profit available for dividends,		
1923-1932..................	$ 17,064,957	
If interest rates on all loans were reduced by ½ of 1 per cent, net profits would be reduced by	$ 6,482,702	
to..............................	$ 10,582,255	3.9 per cent.

If interest rates on all loans were reduced by 1 per cent, net profits would be reduced by ..	$	12,965,404	
to...............................	$	4,099,553	1.5 per cent.

"It is evident from these figures that a reduction in the loan rate of 1 per cent would lower the profits of the banks' shareholders to only 1 ½ per cent on their investment, which would mean, of course, that new capital could not be found to carry on any increased banking business."

New capital was not a problem, however, and would not be for many years to come. Indeed, during the whole of the 1930s, the Bank was at its most liquid and always had money to lend. The trouble was to find borrowers. As a *Monthly Commercial Letter* stated in 1932:

"It is sometimes suggested that more credit should be granted industry but while the banks would welcome an increase in their loans, commercial and industrial firms would not accept the money at the moment if it were offered to them for they could not employ it to advantage. Given a stimulus to commodity prices bank loans would turn upwards [but these] prices are unfortunately determined by world conditions and there is not much that can be done to raise them."

The rest of Canada did not see the money supply in the same terms as bankers. Since banks issued their own banknotes, why did they not print more of them? Simple: the amount of money in circulation was governed through the account of the Receiver General under the direction of the Minister of Finance. Also, because there was no money market at this time (it came later, after the creation of the Bank of Canada) banks could not afford to write off loans even when the chance of repayment was remote. The only answer was, through the Corporation Executive Department, to keep companies in business for as long as possible, as frugally as possible.

Commenting on this in his book, *Northern Enterprise*, Michael Bliss says:

"To their critics the bankers seemed obtuse, narrowly self-interested, or worse. The demand for easier money was clearly present and they were not meeting it, many felt. Others argued that demand obviously declined with interest rates, was inflated or deflated according to the decisions of the money-lenders. When bankers made interest-rate decisions, outsiders charged, they were always and invariably looking to their own advantage, not to their customers' or to the public interest."[1]

In the face of such criticism, sharpened by the fact that banks were still very profitable and paying 10 per cent dividends, Prime Minister R.B. Bennett appointed a Royal Commission to investigate whether a central bank should be established to put money supply and interest rates under social and political control. England had such a central bank; so did the United States.

When the Royal Commission reported in favour of a central bank, even though the Bank's officers and directors had been unconvinced of its necessity, the president, Sir John Aird, greeted its establishment in 1934 with favourable, even laudatory comments:

"The legislation for the establishment of the Bank of Canada, although providing wider powers in some respects than seem necessary, was wisely framed to avoid as far as possible governmental interference for purely political purposes, as distinguished from the requisite and proper relationship which must subsist between a government and a central bank. Moreover, an earnest effort was made to provide capable management. The governor and Deputy Governor by character, technical training and practical experience in banking, possess eminent qualifications for their high and responsible positions. Our Bank, in common with the other commercial banks in Canada, will cordially co-operate with the Bank of Canada in maintaining the high standard of Canadian banking in its vitally important function of serving the credit needs of Canadian

[1]Michael Bliss: Northern Enterprise, p. 430

industry and commerce. There are of course dangers to be avoided in the administration of a central bank. The remarkable growth in the number of these institutions since the war has been partly due to the financial exigencies of the governments of those countries struggling with the burden of debts contracted during the war and the post-war period of reckless public extravagance, and seeing the means of meeting budget deficits by open or concealed inflation rather than by the politically more difficult method of increased taxation and rigid economy in public expenditures. Central banks have in some cases been the instruments through which this inflation has been effected. They have also been the agencies through which the exchange restrictions, which are so great an impediment to the restoration of international trade, have been put into effect. The Bank of Canada opens, then, at a time when there is an almost world-wide tendency on the part of governments to use such an institution as a medium of currency inflation to meet recurring budget deficits. The public of Canada will look with confidence to the chief executive officer of the new Bank to protect its administration from all attempted political interference on the part of governments which would weaken either our currency or our public credit, and to avoid hazardous commitments with foreign institutions or dangerous participation in extensive exchange stabilization operations which might result in a most serious impairment of the Bank's resources."

The establishment of the Bank of Canada gradually took the issuance of currency out of the private banks' hands. During the transition to a national currency, the chartered banks changed their own notes' size in the $5, $10 and $20 denominations to match that of the Bank of Canada notes. This change rendered $21,800,000 worth of old Bank of Commerce notes obsolete. With 631,250 sheets, four notes to a sheet, the shredding with the Bank's own equipment would have seemed endless. Fortunately, the Department of Finance lent a more efficient and larger machine which achieved the destruction more expeditiously.

Another tedious and time-consuming operation sprang from

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WEIGHING GOLD
RESERVES

Bank of Canada Archives

SHREDDING BANK
NOTES

the sale of the Bank's gold reserves to the Bank of Canada. This sale, legislated under the new Bank of Canada Act so as to found a national reserve, entailed the weighing and checking of gold bullion worth $13,182,299.79. It took four days to do it.

As from January 1, 1936, the maximum right of note issue that a chartered bank had previously enjoyed would be cut each year for five successive years by five per cent of the amount of its paid-up capital with further reductions of 10 per cent per year for a similar period commencing January 1, 1941. By 1946, the chartered banks' notes could total no more than a quarter of the 1936 figure, and by 1950 they were all withdrawn. The Canadian Bank of Commerce had notes worth over $25,000,000 in circulation in 1934.

With the gold gone, and the right to issue banknotes diminished, the Bank might have felt that its influence was being severely curtailed in the economy of the country. But the pangs of withdrawal were balanced to some degree by the fact that Mr. Sidney Turk, the manager of the main Toronto branch Foreign Exchange Department went to the Bank of Canada as its first chief of that bank's Foreign Exchange Division.

All through these turbulent and upsetting times the Bank did, however, continue to do business. Not throughout Canada: there was no business on the Prairies. Any wheat sold to the wheat pools in Saskatchewan that was bought with money loaned by the chartered banks was sold only when the loans had been guaranteed by the provincial government. Banking facilities in Churchill, Manitoba, were entirely withdrawn after the shipping season closed in 1931. The newly-built railway to Churchill was as good as closed.

In Newfoundland the situation was just as desperate. Though it was not then part of Canada, being still a British Crown Colony, yet four Canadian chartered banks provided banking facilities there on a par with those of the Canadian provinces. By 1933, even the government was in dire financial straits. With 25 per cent of its people unemployed and on subsistence welfare, the colony was able to raise money only on the

security of future customs revenues, and by giving a foreign firm a monopoly on the manufacture and sale of all petroleum products.

Commercial loans were eagerly sought by all banks. There still was business to be done, though, and a letter to all regional superintendents in March 1935 urged them to look for it. But in the current economic climate, the method of Head Office handling loan inquiries and investigations must, said the letter, be diplomatic and tactful. After all, the Depression could not go on forever and future relationships should always be kept in mind in these difficult times, especially with branch managers.

"We would therefore ask you to take pains to see that applications for credit, either tentative or final, resulting from this campaign are given the most careful and sympathetic consideration. Refusals will be necessary in some cases, and care should be taken to set out the reasons in such a way that they will be clearly understood at the other end. All criticism should be constructive and helpful, and in no case should it have a personal touch. In fact this applies to all correspondence from Head Office Departments and Superintendencies. The worst thing a bank can do to itself is to build up through captious and unduly critical correspondence a frame of mind on the part of the managers which tends to destroy their initiative and make them hesitant to submit business for consideration because of fear of criticism.

"It is necessary for us to remember that while we must take on only good business we cannot always expect perfect business. A sufficient volume of it does not exist. We must of course be continuously on the alert for fundamental weaknesses, and endeavour as far as possible to guide our customers in correcting weaknesses of a less serious character, but our efforts and criticism in the second direction at least must be constructive and not destructive. The effect of whatever is written when read at the other end should be carefully considered. It is not always what is said but the way in which it is said that matters.

"We would call your attention particularly to what is said in

the letter to the managers regarding small loans. Even a large institution such as ours cannot neglect or discourage the small man. A study of the figures of our loans and deposits plainly shows the large extent to which we depend upon the small depositor and the small borrower for our business and earnings."

Loans already in place were, through the efforts of the Corporation Executive Department cited earlier, assiduously encouraged to remain active and to pay their interest. But between 1931 and 1935, current loans dropped from $253 million to $165 million.

The productive loan business of the Bank was now, as the Depression proceeded, with governments. But not all governments were themselves good risks. By the end of 1934, the Saskatchewan government had a gross funded debt of $121,000,000, a temporary debt of $41,000,000 (mostly to the federal government), and contingent liabilities of $5,600,000; only $1,000,000 of a recent $5,000,000 bond issue had been sold.

In October 1934, the chartered banks, through their local representatives in Regina, were asked by the Saskatchewan government to consider a further loan against treasury bills with the object of providing direct relief to its citizens in the form of clothing, food and fuel, during the ensuing six-month period. The total amount needed to bring this about was $5,000,000, with a like amount required for other purposes including assistance to agriculture in the form of seed and feed loans. The federal government agreed to contribute a substantial amount and a further sum was to be provided by those urban centres that could pay their own way. Though not unsympathetic to the problem, the chartered banks were already fully extended in Saskatchewan and in any event were first obligated to provide loans for what might be considered normal needs, as far as their resources then permitted. In the circumstances, the request, they said, "could not, therefore, be entertained."

But the real banking conundrum was Alberta. Its growth as a province had been rapid since its incorporation in 1905. As a result, it had imported capital to finance that growth and had

built an infrastructure to accommodate continuing growth. But the Depression ended that growth. So both government and private borrowers found that by 1935, their accumulated debts far outstripped the capacity of either to repay.

In the doctrine of Social Credit, people found both the cause of their problems and a Utopian solution: increase credit, by printing money if necessary. Originally propounded in more complicated form by Major C.H. Douglas, the doctrine was simplified by William Aberhart, a fundamentalist who ran the Prophetic Bible Institute and was also a high-school principal. A powerful performer on radio (which dominated the public's ear as much as television was to do the eye and ear 50 years later), he founded a political party which swept to power in a landslide on August 22, 1935 with 56 of the 63 seats in the legislature, even though the popular vote was less than 50 per cent in favour.

Then the financial fun began.

As soon as the Social Credit government came to power, it had to suspend payment on provincial savings certificates of which, according to some estimates, $1,300,000 had been withdrawn during that month, this from a total of $10,244,000 outstanding as at June 30. Withdrawals were not confined to provincial savings certificates, and by the end of August the Bank's own branches in Alberta had lost $622,000 of their deposits by transfer to places outside the province, although $519,000 went to branches of the Bank elsewhere.

The regional superintendent reported from Calgary to Head Office:

"Despite the unsettled times, reports indicate that wholesale and retail trade continues to move in considerable volume. The new Provincial Government is settling down to business but we have heard reports from several prominent businessmen who have visited Edmonton for information that the newly appointed Cabinet members are totally at sea in their new duties and that while Mr. Aberhart might have the ability to run a school and a Sunday school they question whether he has the kind of ability

necessary to organize a Government. Undoubtedly the great problem which he will have to face will come from his own ranks and from his many followers who are already showing signs of impatience because basic dividends are not yet available."

In the fall of 1935, more than 6,000 jobless were still registered with the provincial government unemployment service, and there were only 11 jobs available. Fortunately, the 1935 wheat crop in Alberta compared favourably with that of the previous year and the province was therefore spared the fate of other sections of the West which reported the poorest crops ever known.

The Bank's own contribution to this uncertain situation was in giving authority during its 1935-36 collection campaign to managers in the Alberta Region to effect a compromise in 726 accounts; this involved a write-off of $350,000 standing on the books of these branches after allowing for the current year's appropriations, and uncapitalized interest aggregated a figure exceeding $1,112,000. In all, collections for only $33,000 were made, covering 161 accounts with a further $6,300 promised.

In January 1936, Mr. John Hargrave, technical adviser to the Social Credit planning committee of the Aberhart government, resigned, thereby causing some doubts as to the future of Alberta's new administration. Further misgivings arose when on April 1, the province defaulted on its bonds then due. On May 30, an order-in-council was passed empowering the provincial treasurer to pay, in full settlement, only 50 per cent of the interest on all past due and outstanding obligations. Despite its shaky finances, the government went ahead and distributed, during August, forms for the registration of persons entitled to Alberta credit in anticipation of the third and final reading of a bill called the Alberta Credit House Act that would permit the first distribution of a dividend early in November. However, it transpired that few citizens of Alberta were ready to commit themselves to an undertaking that required them to exchange their goods for Alberta credit, and the scheme foundered.

In the meantime, a "prosperity certificate" scheme had been started under which, it was hoped, certificates would circulate as money. The plan called for the attachment, by the holder, of a one-cent stamp each week to each dollar certificate that was issued; if implemented at the end of a two-year period, stamps to the value of $1.04 would have been affixed, thus enabling the treasury to redeem each certificate at no cost to the province. By the end of January 1937, certificates to the value of $325,644 were in circulation and stamps worth $1,958 had been sold. The public was not very enthusiastic, the idea never really caught on, and so that project also came to naught.

The next step was the enactment of the Alberta Social Credit Act passed in April 1937. This envisaged that goods would be sold at a discount and the retailer reimbursed with "Alberta Credit;" under this plan there were to be "consumers' dividends" and "debt-free" credit to producers. The scheme, administered by a "Provincial Credit Commission" was subject to the powers of a "Social Credit Board." This was too much even for Alberta's provincial treasurer, Mr. Charles Cockroft, who then resigned too.

During the summer of 1937, rumours were heard that the government contemplated impounding savings deposits and compelling depositors to accept "Alberta credit" in exchange. Inevitably there was a run on the banks, and a further withdrawal of deposits; from May 1 to August 31, $2,700,000 in a total of 916 accounts was removed from the Bank's custody in Alberta, though once again a substantial amount, about $1,000,000, was retained by the Bank in transfers to its branches in other provinces.

However, these runs were sufficiently worrying to initiate arrangements with the local agency of the Bank of Canada for the Calgary branch to withdraw up to $1,000,000 per day in Bank of Canada notes as might be necessary, and to bring forward the suggestion by the regional superintendent that the Alberta business of the Bank might temporarily be transferred to Toronto; the latter proposal was rejected as being too impracticable. Not know-

ing where developments might lead, however, the Bank arranged for riot and civil commotion insurance to the extent of $1,000,000 for a period of one year covering all buildings, furniture, and fixtures owned by, or leased to it in the province of Alberta. Fortunately, since the Alberta credit scheme also eventually fell through, it was not needed and it was not renewed.

The next piece of legislation enacted by the Alberta government during Aberhart's term of office that affected the banks was the Postponement of Debts Act. Passed on August 24, 1937, it imposed a six-month moratorium on all debts owing to corporations. In this month also, a bill known as the Credit of Alberta Monetization Act was introduced: it provided that any bank continuing to operate in Alberta would need to secure a licence from the Social Credit Commission, a condition being that the Social Credit Board would be permitted to appoint a sufficient number of directors to control the policy of the bank. Such an arrangement was quite unconstitutional; Alberta's attorney general was one of the first to admit it, and he consequently resigned. At the same time, Aberhart brought down another bill known as the Bank Employees Civil Rights Act which in effect barred the banks from "the enforcement of any claim either in law or equity" until they had secured licences from the Social Credit Commission. This was more than enough for the federal government, which vetoed the Alberta legislation.

Gross earnings of all banks in the province of Alberta for the year 1937 amounted to $4,462,000 as against operating expenses of $4,509,000. But $1,371,000 was written off in bad debts resulting in a total net loss of $1,418,000.[2] Of these totals the Bank itself had a revenue of $868,000 against expenditures and write-offs of $1,293,000 to produce a net loss of $424,000. The regional superintendent had recommended an appropriation of $334,000 for Alberta in that business year; Head Office had

[2] It has been claimed that over a 12-year period (1926-37) the chartered banks in Alberta collectively showed a total deficit of $9,700,000 from operations in that province.

thought that $250,000 would be adequate. The acting regional superintendent wrote thus to Head Office in discussions aimed at a sensible policy on debt recovery:

"The records of debts in the drought area, such as you have, do not convey to you the effect that six years' privation and want have had on men whose moral character was formerly good. Many have been fed on promises of emancipation and now have no intention of paying any portion of the debt voluntarily. By going through bankruptcy young men in this plight would undoubtedly be enabled to start afresh, free from debt and the size of their debts would not be relevant in the proceedings. As previously stated we do not propose to settle any debts for less than the amount we consider ultimately recoverable but we feel that it is inadvisable to perpetuate ill feeling against the banks by futile efforts made yearly to collect from earners in the destitute class and it is our opinion that we can make a virtue out of a necessity by letting these people know their debts are settled in full by payment of a small amount which would otherwise not be recoverable."

But it was neither the compromising of debt by the banks nor the theories of Social Credit that pulled Alberta out of insolvency. It was the discovery, in 1937, of two new oil wells in the Turner Valley: Foundation, and Royalist Sterling Pacific No. 3. Oil production would bring wealth and royalties that did the trick much more effectively.

Indeed, natural resources were the one encouraging thing throughout the Depression. At its very depth, in December 1933, Mr. S.H. Logan, general manager of the Bank, reported that:

"Mining in this country has held its ground better than any other major industry. In the 1929-32 period it registered a decline of about 25 per cent — mainly because of the severe depression in coal-mining — as compared with one of nearly 40 per cent in general business. But it may not be widely known that the mining industry as a whole has now become our second largest primary producer, ranking next to agriculture. One salient feature of the past year is not merely the continued

progress in gold mining, with an estimated production of $61,000,000 at $20.67 per ounce, or $85,000,000 at the average market price realized, but also the fresh impetus given to the base metal and asbestos industries. Thus, the production of nickel in 1933 was nearly three times that of 1932, while that of copper increased by 22 per cent, that of lead by 5 per cent, that of zinc by 16 per cent, and that of asbestos by 21 per cent. In comparison with the world production of these materials, we find that the Canadian records were more impressive in respect of copper and lead, but less favourable in the case of zinc and asbestos. The total value of mineral production in Canada for the past ten years has aggregated nearly $2,400,000,000, an enormous contribution to Canada's national income."

He was even more positive in his remarks, and more specific a year later:

"Mining and metallurgy have been sources of great and increasing national strength. The customary official estimate of the value of total mineral production for 1934, $278,000,000, is

TURNER VALLEY

impressive in itself, but I should like to quote a few facts which furnish a more adequate view of the magnitude of mining and its associated form of activity, metallurgy, and the imposing places they now occupy in our national life. Over ten thousand mines, quarries, petroleum wells, mills, smelters, refineries, etc., capitalized at about 800 million dollars, are now in operation with a labour force, apart from that engaged in the development of new properties, of more than sixty thousand people, drawing at least 70 million dollars yearly in wages and salaries."

During this whole 1930s period, the man at the sharp end of the battle was the local manager. He (and there were no she's in those days) was a presence in the community together with the lawyer and clergyman. (There would be more of the latter than the former in smaller communities). It is an accepted principle of banking that no loan is made without the stated and serious intention of getting it back with interest. The instrument for getting it back was the man who made it in the first place — the branch manager. But on the Prairies in the '30s, so many loans were in default or in trouble that the task of running the branch, making new loans wherever possible, and looking after the old, now non-productive, ones, was so difficult that the superintendent in Alberta proposed a change in method. With 3,000 loans classed as unsatisfactory, he suggested, in a memo of November 1933, a rationalization to make things both easier and, hopefully, more efficient.

"With over half our loans either unsatisfactory or in the troublesome class the routine burden on the branches and in this Department has increased inordinately and our staff has now reached the point where it will have to be replenished if further depletion takes place unless more economical methods of conducting our business are instituted.

"As a first step towards bringing about a reduction in routine we suggest that unsatisfactory accounts be supervised from one complete record, that they not be reported in any other returns and correspondence about them be practically eliminated. To place the suggestion before you we have had the Crossfield

manager set up his unsatisfactory accounts on forms we have prepared. There are three forms for the original set-up of each account and these provide a means of supervising the accounts thoroughly through the medium of subsequent progress reports and occasional visits to the branches where the volume of unsatisfactory accounts is large.

"In the proposed new system we do not call for any information which is not already submitted. The routine requirements seem to be as complete, simple and orderly as it is possible to make them and duplication is entirely avoided. We should like to bring the new systems into effect on December 1, next."

His eminently sensible suggestion was approved by Head Office and spread almost immediately to other regions. A special section was set up in Moose Jaw to collect the bad debts of closed branches.

But it was tough going for whatever Bank employee had to do it. A report from one special officer in such a collections set-up highlights the difficulties:

"I well remember one Fall day driving to the Stony Beach district [Saskatchewan], with the intention of interviewing one of our debtors there. En route I picked up the manager of the one-man branch then in operation to guide us in our search for the obligant. The amount of the debt was about $25 which, in those days, to the poor farmer was a large amount of money. At the outset of the interview the debtor flatly stated he could not pay anything as he had suffered a complete crop failure and was dependent for his food and clothing on Government assistance. However, after some negotiation he finally disclosed that he had a few turkeys which he was fattening on grasshoppers for Thanksgiving and that he would be prepared to turn over twelve turkeys in exchange for his note, on the understanding that he would not be responsible for the killing and plucking of the birds. Without further delay we accepted his offer on the basis that we could make use of his barn to do our own butchering and cleaning. With some reluctance and considerable ineptitude the two loyal servants of the Bank proceeded with the task in

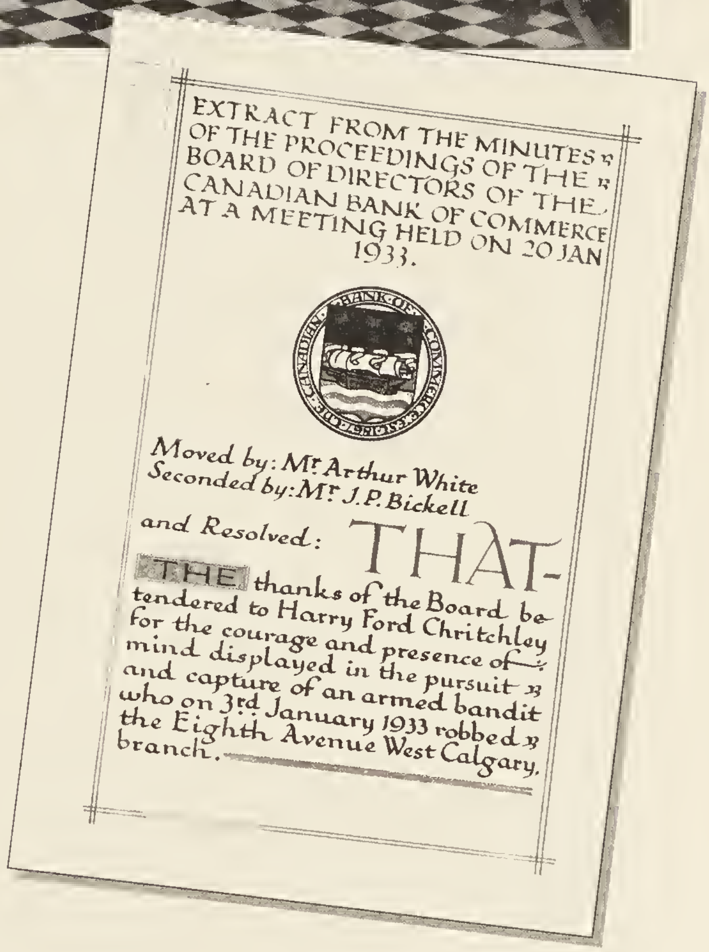
hand which took some two or three hours to complete and by that time they were completely covered with blood and feathers. The problem then arose to find a market for the turkeys but a sufficient number of the personnel of the Moose Jaw branch were sufficiently interested to realize $12."

The heartbreak of it all is even more graphically indicated by a letter to Head Office from a debtor who had been pursued to look after his note for $638:

"We are all your customers, we would like to get an advice from you'se. How could we pay money which we have borrowed from you'se. In these hard times and very poor prices at 27 cents per bushel of wheat. For it costs us to raise 70 cents to 80 cents per bushel. First we have got the relief and loans ahead of the money we have to pay your banks. The Government tries to help us out in every way to be fair and square. The Machinery Implements tries to help us out, to get his own benefit out, and to be fair and square with the debtor and to try and form a new system with the farmer. He gives us 77 cents per bushel of wheat to get his own benefit out. But you with your system of banks don't try to help us out, to show something. Just keep on going high Interest and Compound Interests. And we don't know how its going to go on that way, so how can we pay it. If you don't change the system because Government Relief Loans and our expenses in these days worth us more than our land does. Please give us an advice for this being wanted."

These were desperate people, and there were thousands, hundreds of thousands of other desperate, hopeless people spread across Canada in those trying, awful years. For some, desperation gave way to criminal intent, and here again the local manager was the man at the interface. Wherever the branch was — whether isolated on the Prairies or in a built-up metropolitan area — the violence occurred.

Sometimes it was met by violence. Take the account, for example, of an incident at the 8th Avenue West branch in Calgary on January 3, 1933. When a man entered at lunchtime, pointed a revolver at the head of the manager and demanded



EXTRACT FROM THE MINUTES OF THE PROCEEDINGS OF THE BOARD OF DIRECTORS OF THE CANADIAN BANK OF COMMERCE AT A MEETING HELD ON 20 JAN 1933.

Moved by: Mr. Arthur White
Seconded by: Mr. J.P. Bickell

and Resolved: THAT-

THE thanks of the Board be tendered to Harry Ford Chritchley for the courage and presence of mind displayed in the pursuit and capture of an armed bandit who on 3rd January 1933 robbed the Eighth Avenue West Calgary branch.

PRESENTATION FOR
BRAVERY TO
H.F. CHRITCHLEY.

money, the ledger-keeper, H.F. Critchley, picked up a large potted fern and threw it at him instead. As the astonished and, no doubt, hurting robber ran off, Critchley pursued him, tackled him and kept him until others called the police. The robber went to jail; Critchley received a gold watch and an "illuminated resolution" of the board of directors.

Guns often were used, both by the robbers and the bank staff.

At Ilderton, Ontario, on March 29, 1933, a car drew up in front of the branch and two men dashed into the manager's office shouting "put 'em up." However, the office was empty, so they ran round to the back of the teller's cage waving their guns. On hearing their shout, Mr. L.H. Denning, the teller, seized his revolver and, whirling around, ordered the bandits to drop their weapons. One of the men then fired at Mr. H.M. Porteous, the manager, who was standing nearby, shot him down, and fired at him again while he lay on the ground. The second bandit had meanwhile engaged Denning through the grille of the cage, and Denning was returning the shots. This man then dropped to his knees and continued firing until the first robber managed to slug Denning who, by this time, had emptied his revolver. Despite his wound, Denning ran to the vault, seized another weapon, and kept up the battle from behind the shelter of the vault doors. The bandits decided to beat a retreat and escaped through the front door. They got away in their waiting car, stolen earlier in London. Luckily, if not miraculously, Denning had been only slightly wounded by a ricocheting bullet, but the condition of Porteous remained serious for some time. One of the bullets had entered his thigh and the other his right side, close to his heart.

Not all bank personnel were as lucky as Porteous. In January 1936, three armed bandits entered the branch on Powell Street, Vancouver and, without warning, shot the teller, William H. Hobbs, before he even had a chance to raise his hands. A second robber fired at the manager, Thomas Winsby, and then ordered the ledger-keeper to open the exit door. Grabbing the available

cash — just over $1,000 — they made their escape in a stolen car driven by a fourth man. Hobbs died the next day, but Winsby recovered. The men, as often happened in those days before air transport, were caught soon after. Two were hanged, the others sent to penitentiary for long terms.

Those less desperate, but also looking for money, forced banks into the whole question of making personal loans. Up to 1936 — as remarkable as it seems almost 60 years later — no bank had ever made a personal loan in Canada (or financed a mortgage, for that matter). Banking was a corporate and business activity on the lending side; a deposit and service institution for individuals. This was not the case in the United States, however, and so the Bank's officers in New York were instructed by Head Office to investigate how such loans worked, what the risks were, and the potential return. Nothing came of this, but a remarkable address on the whole theory of the banking system by General Manager, Mr. S.H. Logan, at the Annual Meeting in January 1936 provoked thought among a number of those present. One of them was Mr. W.M. Langston, the assistant manager of the Market branch in Toronto.

Mr. Langston envisaged the making of small loans to wage-earners, salaried men, and others in receipt of a regular income, which would be repayable over a year by monthly deposits in a savings account on which interest would be allowed. These suggestions were warmly received, as not only was the Bank still having difficulty putting its surplus funds to work at adequate rates, but a campaign was currently running in Toronto newspapers against "loan sharks." This campaign was directed primarily at "pay-day" lenders, i.e. small loan offices that lent $5, $10, or $20 from pay to pay at a flat rate which, if a loan were not paid off and had to be renewed each subsequent pay day, offered returns of over 100 per cent interest in the course of a year. The campaign was also directed against many of the finance companies whose minimum rates at the time ranged from 36 to 40 per cent per annum.

Management also welcomed the opportunity to meet the

criticism made for a number of years that, while small loans were freely made to businessmen and wage-earners having adequate security, others in need of small loans but with no collateral except earning power found it difficult, if not impossible, to obtain accommodation. The Bank believed that by making small loans to this class of borrower it could earn considerable goodwill and collateral advantages as well as a profit.

A preliminary announcement was therefore made in the early months of 1936 to the effect that the Bank had decided to enter the small loan field in Canada. It was hailed by the press and public with an enthusiasm that seems hard to appreciate today. Strange to say, the only note of scepticism came from a few of the Bank's managers who were shocked and disturbed by the innovation. Some of these die-hards would not even take an application for a personal loan for some time and predicted an early doom for the whole scheme. However, their lack of enthusiasm was short-lived since the plan was an unqualified success right from the start.

The terms of the scheme as first formulated permitted loans to be made for sums between $60 and $1,000 to wage-earners and to salaried and professional people without collateral security but with a guarantee by two responsible citizens and by the borrower's husband or wife if the borrower was married. The essence of the contract between the Bank and the borrower was that the amount of the loan remained constant for the full term and that the borrower agreed to provide repayment at the end of that term by having deposited equal monthly amounts in a special savings account on which interest was paid. The loans themselves carried interest at six per cent for one year, a rate imposed by the Bank Act. But there was an additional charge to the borrower for investigation, depending on the size of the loan — and the interest value of the deposit account made the actual return to the Bank nearer 10 per cent. Protection against loss through the death of the borrower was provided by life insurance placed by the Bank in the form of a group policy with the Canada Life Assurance Company. While there were to be some changes, involving the

Loan Plan For Salaried Men Created By Bank Is Success In Seventy Ontario Branches

Bureau Staff Writer Sees Bank of Commerce Plan in Operation Loans Being Made For Doctors' Bills, Taxes, Consolidating Small Debts—How It Works

Bank Announces New Personal Loan Plan For Employed People

Service Provides Borrowing Facilities With Repayment on Monthly Basis and Insurance Against Premature Death—Requirements Are Broad

Personal Loans

Bank of Commerce Now Operates Nation-Wide Loan Business—Home Modernization Aided by New Plan—Six Central Offices

BANK SETS UP PERSONAL LOAN SERVICE DEPARTMENT AT TRAIL BRANCH FOR CITY RESIDENTS

Loans to Wage Earners, Salaried and Professional Men and Women. One-Year Loans, Repaid by Monthly

THE PRESS GREETS INDIVIDUAL LOANS.

waiving of guarantees to responsible borrowers, the raising of the maximum amount, and the variation of repayments beyond a 12-month period, the basic plan was to stand for many years.

The general experience with all loans made to individuals was that, in the borrower's own interests, regular amounts on a budget basis should be set aside from income. This was one of the reasons, if not the main reason, why the personal loan plan proved so successful and operated with an almost negligible loss record. From the start, personal loan applications were channelled through a regional department where the officers delegated to handle them soon acquired experience in a specialized field that, for the most part, consisted of knowing the habits and frailties of people borrowing in this manner. Its officers also became expert in deciding what were suitable loans and in collecting those that became delinquent. The carrying of these loans at the regional offices, of course, took whatever risk there might be off the shoulders of the branch. As an incentive, the branches were credited each month with a commission of two per cent of the face value of all loans approved.

By the end of November, only six months after the scheme started, 13,000 loans had been made across Canada for a total of approximately $2 million. The plan was off to a good start. Thus was established a new service, if not a new era, in Canadian banking.

Maybe it was not in itself a new era. But certainly, as the decade advanced, the old era was passing away. On January 12, 1937, the president, Sir John Aird, gave notice to the Annual Meeting that he would vacate the presidency. His retirement, at the age of 81, terminated an active banking career which had begun in 1878. His exceptional energy and his great capacity for work were perhaps the keys to his rapid promotion: manager at Seaforth by 1888; assistant manager at the main Toronto branch by 1890; manager at Winnipeg by 1899; first superintendent of Central Western branches by 1908; assistant general manager at Head Office by 1911; general manager by 1915. He had headed the Royal Commission whose report brought about the found-

ing of the Canadian Radio Broadcasting Company, a Crown corporation that was the forerunner of the CBC. His long association with the Bank continued after his retirement as president, in a directorship which he held until his death in November 1938.

The new president was Mr. S.H. Logan, the man who had held the general manager's position for 12 years — longer than anyone but Sir Edmund Walker. Mr. A.E. Arscott was to be appointed general manager in Mr. Logan's place. Other appointments followed, one of the most significant for the Bank in the future being that of Mr. N.J. McKinnon, who was made inspector at Head Office.

Two years later, Sir Joseph Flavelle retired from the board. He had served on the board since June 1896 and as its chairman since 1924. Sir Thomas White was elected to succeed him.

Flavelle is one of the key figures in the commercial and financial history of Canada. He began his career in the 1880s as the proprietor of a feed and flour store in Peterborough. In exchange for his flour, he would accept dressed hogs from farmers during the winter. His people would cut up, salt, and ship the hogs to the William Davies Company in Toronto.

In 1891 Davies sought out Flavelle (now in Toronto with his own produce company) to take over his company's expanding business. Flavelle reorganized the Davies Company, expanded into cattle with the Harris Abattoir Company, and with other acquisitions finally established Canada Packers.

At the same time, he became one-third owner of the fledgling Robert Simpson Company, a share which he later parlayed into a 66 ⅔% interest.

An entrepreneur, a shrewd dealmaker, Flavelle had been involved with the Bank longer than any non-staff person. In addition to his long connection with the Bank, he had been active in the affairs of the National Trust Company for 39 years, of the William Davies Company for 28 years, of the Robert Simpson Company for 31 years, and of the Toronto General Hospital for 36 years; he had been a governor of the University of Toronto for

RECEIVING THE GUESTS AT THE ATHLETIC ASSOCIATION BALL, 1937
(left to right):
Mr. A. E. Arscott, Mrs. Logan, Mr. S. H. Logan, Lady Aird, Sir John Aird.

32 years, of St. Andrew's College for 27 years, of the West China Union University for 26 years, and of the Ontario Research Foundation for 10 years — a truly remarkable record.

With Flavelle and Aird gone, it was Mr. Logan who addressed the Annual Meeting on December 13, 1938. He spoke from strength: profits now stood before tax at well over $4 million; assets amounted to $665 million. Current loans had increased by $14 million. The new personal loan department had made over 100,000 loans in two years for a total of over $15 million. It certainly looked as though the Depression was fading.

But it was also a new era. He pointed out that "within the last decade Canada has shifted from a predominantly agricultural economy to one based on a combination of agriculture, mining and manufacturing....Mining has led the way in the transformation of the Canadian economy."

He pointed out that the mining industry had disbursed over $1 billion dollars in wages in the period 1928 to 1938, and the same amount in the purchases of materials and services.

The Depression was over. It was summed up nicely by Mr. E. Holt Gurney in seconding a vote of thanks to the directors:

"This board is responsible for the discharge of two duties of first-class importance, which are to me incompatible. In the first place, they must see that complicated services, including loans, are rendered to thousands of customers of the Bank from the Yukon to Yarmouth, and elsewhere, and at the same time they are also responsible for the fact that, at the end of the year, there will be quite a lot of the Bank left. During the period of nine exceedingly difficult years, the record of their performance is before us. The services have been rendered, the shareholders have had a fair return, and there is just a little bit more of the Bank left than there was at the beginning of these years."

The proof of all this good news came in the December 1937 pay-packets. For the first time in eight years, there was a Christmas bonus to every member of staff.

THE MEXICO CITY BRANCH, *c.1910*

CHAPTER III.

TROPICAL VENTURES

THE BANK had coped with the economic disruption of the Depression with energy and, to a large extent, with success. Profits had decreased as they had for all banks; internal reserves had been savaged. But the balance sheet was still strong. There were side effects: the weathering of the economic storm had brought a diminution of public acceptance and respect. Writing about it later, Michael Bliss says in *Northern Enterprise*:

"Bankers' troubles with farmers were ironic inasmuch as they still did not make loans on real estate and held very few of the hundreds of millions of farm mortgages outstanding in Canada. So much the better for scapegoating: damn the banks for not giving credit; damn them for collecting when they did give credit; damn them when anyone tried to collect.

"The chartered banks were short on elementary public relations sense, long on uncomprehending arrogance. They should have changed their anachronistic capital and dividend bases, which rested on $100 par value shares that had not sold nearly that low for decades. They should have made well-publicized write-downs of their formal reserves to advertise their sufferings, instead of carrying bad debts or covering them from internal contingency funds. They should have trumpeted their very considerable willingness to accommodate needy debtors; they were in fact more liberal than most municipalities were to delinquent taxpayers. Instead, the big bankers preached sermons to Canadians on sound money, the soundness of the banks, and the unsoundness of all ideas other than those held by bankers. To do this was to be right but irrelevant."

Inside Canada, then, a recovery of assets had been some-

what balanced by a loss of public respect. Outside Canada — in Mexico, Brazil, and the Caribbean — the 1930s were marked by very different problems for the Bank, which had established itself in those places for very varying reasons.

In the Caribbean there had grown up in the 19th century a trade based on Canadian ice, cut in the Maritimes when fishing was out of season, in return for molasses and rum. By and by, lumber, cedar shakes, salt cod, and flour filled the holds one way, together with the ice. Rum and molasses still paid for the return journey: Canadian banks had financed the trade from the beginning.

In Mexico and Brazil, the Bank was there because major customers requested it to be there — customers such as Brazilian Traction.

But banking in places where law and order was a good deal more volatile, and where the Latin temperament was often a trial to solid northern bankers, was very different even from banking in Depression Canada.

Take Mexico City first. The Bank had been established there since 1910. With varying degrees of activity, it had remained somewhat uneasily in place, always regarded with some misgivings by Head Office. Mr. J.E.W. Stephenson's arrival as manager in 1923 put a little more ginger into its activity. From a staff of fewer than 50 when he arrived, it rose steadily until, seven years later, it reached a peak of 115.

But it experienced an unusual variety of distractions from the normal course of banking. One of the classic examples was in the affair of the Continental Mexican Rubber Company. In November 1928 this company, which operated at Torreon, 500 miles north of Mexico City, was in the middle of a dispute with its workers. When they were not paid, the workers persuaded the government to issue the equivalent of a garnishee on the money held for the company in the Bank's offices. The company appealed. The Bank's lawyers therefore recommended the money (some 13,000 pesos) be paid over to a judge who would make the final disposition. When the workers' lawyer

arrived at the Bank to take possession of the money, he was thus directed to the judge. Through a series of misunderstandings, *that* judge would not discharge the money. So a district order was issued by another judge who insisted that a second, but larger amount, be paid from the Bank forthwith. On December 5, 1928, the secretary of the 8th Civil Court, the workers' lawyer, a collection of plainclothes secret policemen, uniformed policemen, and armed militia arrived on the Bank's premises. Señor Enrique Velasco, the Bank's lawyer, was sent for. Until he arrived, the tension grew, with the armed policemen at the door, more in menacing positions at the tellers' cages, and a growing throng of people outside. Señor Velasco recommended that the original 13,000 pesos payment be made, under protest.

At this time in Mexico there was no central bank and virtually no paper money. All transactions were in gold or silver coin. So another 13,000 pesos in silver was withdrawn from the vault and delivered to the labourers' emissaries in a wheelbarrow.

Naturally, the crowd outside reacted. They had seen armed men enter the bank and a large sum of money come out under armed guard. In no time, the story spread about that the Bank had been robbed. The 13,000 pesos quickly multiplied into 13 million pesos. No one cared that such a sum would have needed several wheelbarrows. Rumour has its own verification. The press caught on. The story ran in the newspapers and was translated for the U.S. papers. The Bank staff, in the heated middle of all this, quite overlooked informing Head Office of what had happened. So the general manager of the Bank read about it first in the Toronto press. His reaction on the long-distance telephone was doubtless more caustic and more passionate than the memo he sent to the branch manager:

"We prefer, of course, when such an unusual incident occurs at any of our branches, that we should be informed immediately by the Manager rather than that the information should come to us from press dispatches, several hours ahead of our official advices. In this instance, the Associated Press and the newspa-

pers had the information nine hours sooner than we had and the telephone kept ringing all day and all we could say was we had heard nothing from our Mexico Office."

Bizarre as the event was, its final resolution was even stranger. The judge who had taken delivery of the original payment repaid it to Toronto Head Office. The lawyer who had taken the second 13,000 pesos for the workers paid his clients only 6,000 of it and disappeared with the rest. The Bank did, however, recover its wheelbarrow.

The Bank staff did not always have to cope with such stimulating events, but when law and order was a good deal more chancy than in Canada, the local manager was often called on to literally bail out his employees. One such incident noted in the correspondence between Mexico City and Head Office concerned an employee who had been walking back to the branch after the regulation siesta, observed every day between 12:30 p.m. and 3 p.m. Ahead of him, he explained over the telephone, there had been two drunks.

"As I approached them, one fell and hit his head on the sidewalk and cracked it open and the other one called a nearby policeman and asked him to arrest me for having assaulted his friend. The policeman wouldn't believe my story, so I am in jail!"

The manager assured him that he would quickly sort the matter out and get him out of jail. Quickly, in Mexico City, meant two hours and 200 pesos later. Upon which settlement, the drunks were arrested and charged with public mischief.

There are other instances of events flowing from the different lifestyle in Mexico City. One concerned the landlady of an apartment who could not be found when the three Bank employees who had rented it wanted to give it up. The building superintendent would not take the keys and the landlady, a month later, surfaced and charged the three with dilapidations to the apartment and unpaid rent. A gold bar settled the matter out of court and its acceptance was followed by an invitation to a cocktail party at her other establishment, the local brothel.

But a quirky legal system, ever-present police, and total

lack of urgency were not the only things that made service in the Bank's branch in Mexico City interesting and varied. It was the fact that there was no, or virtually no, paper money, since there was, at the beginning of the '30s, no central bank. All accounts, all deposits were transacted in cash, either in gold or silver pesos.

The 50-peso gold coin was thick, so that counterfeiters shaved it, appliqued the resultant gold to a lead slug, then melted down the greater part of the coin, and sold it as bullion. The best and quickest way to discover what was solid gold and what was gold-covered lead was to bounce the coin hard on the wooden counters. Counterfeit lead did not ring; solid gold did. But in the bank, the constant din of ringing gold and struck wood was ear-shattering. And counting the cash on hand took up some 36 hours at every month's audit. It was such a laborious and heavy job that the messenger staff of the other Canadian bank in the area — the Bank of Montreal — would often help with moving it around in the vault.

The coins, the huge bulk of them, their unwieldiness and weight also led to the architectural examination of the building in 1931-32, when gold coins temporarily disappeared and silver was the only medium of exchange. Such a huge weight of silver in one corner of the bank building — especially on so spongy a soil as Mexico City's — might need, the manager thought, extra structural strength. Fortunately, that did not prove to be the case.

With gold and silver coins having a fluctuating exchange rate against each other, and each having a different daily rate against the U.S. dollar, it was difficult to balance even a day's business against reserves. Deposits were also being taken in pounds sterling, French francs, Spanish pesetas, and Canadian dollars. Although these were all kept fully hedged in London, Paris, Madrid, or Toronto, customers were constantly buying and selling in all three principal currencies and not infrequently settling an account in one currency by payment in another.

There were also times when the branch could not meet a

MEXICO CITY STAFF SAY GOODBYE TO J. E. W. STEPHENSON,
ON HIS RETURN TO CANADA, 1931

customer's request for a loan in one currency but could make it to him in another, the exchange risk, of course, being the concern of the borrower rather than the Bank. The branch tried to protect itself against these vagaries of the currencies by having all large silver borrowers sign an agreement whereby they engaged to transfer their loans into gold whenever the Bank might call upon them to do so. Similarly, all borrowers in gold promised to convert their loan into dollars if required (one dollar equalling two gold pesos). Additionally, there was an agreement with practically all depositors that the Bank could repay gold deposits in dollars at the same rate.

When a new manager, James Stewart, arrived in 1931 to replace Mr. Stephenson, he found himself in the middle of an exchange crisis for the resolution of which a special commission was formed, to which Stewart was appointed. Originally its purpose was to sell U.S. dollar drafts only to responsible Mexican dealers and to bona fide merchants in the United States, thus taking exchange speculators out of the picture. The commission also was very strict in requiring documents for imports which needed payments in U.S. dollars. But many importers could not meet those documentation requirements and merely sought dollars at banks where they could still be bought and sold freely. As a result, there were two exchange markets operating — the official, and the banks' — each at different rates.

The commission also tried to keep an established gold-silver exchange rate by taking some silver out of circulation. It hoped to achieve this by asking banks to give interest on silver time deposits, the interest being reimbursed by the government to the banks. That idea quickly foundered when the government cancelled the interest payments.

To cope with all this, the management of the branch had exerted every effort to reduce the volume of gold loans on its books, since it might ultimately prove difficult, if not impossible, to insist on repayment of such loans in gold. Subsequently, some recipients of gold loans were asked to transfer them to a silver basis. In spite of all endeavours, the withdrawal of deposits

was such that in order to maintain cash reserves even close to the legal requirements, the branch found it necessary to provide a number of its depositors with the Bank's dollar drafts on the New York Agency in repayment, and as a consequence, the Mexico City branch became heavily overdrawn in New York.

Two months earlier, in May, a meeting of bankers had been called under the chairmanship of the president of the Banco de México at which they were informed that it was almost certain the government would secure a further U.S. loan to right the exchange situation. By this time, the discount on silver pesos against gold pesos had increased to 20 per cent. Rumours were spreading that the suspension of gold payments might be authorized. It was proposed that the banks should fill any demand for dollars by selling against their New York accounts in exchange for silver pesos at the then approximate market price of 3.7 pesos to $1 (U.S.), the so-called par being 2 to 1. In other words, the banks would go short on their New York balances and long on silver, and the government would guarantee the banks against any exchange loss. It was reported that the government was endeavouring to arrange for a loan of $10,000,000 in U.S. funds from oil companies operating in the republic as a prepayment of taxes, a procedure that had been followed previously.

The situation continued to be difficult and the calls on the branch to buy silver against U.S. dollars or gold increased daily, but practically everyone was refused, regardless of the circumstances. Gold deposits continued also to decrease and every effort was made to bring about a reduction in gold loans; by the middle of July, the discount on silver as against gold reached an unprecedented high of 39 per cent. Toward the latter part of July, financial uneasiness increased, with the result that a run on the banks developed. In a period of three days, from July 23 to 25, the branch lost heavily in gold, silver, and dollar deposits — a situation common to all banks in the republic.

As an indication of the effect of events in a tempestuous period of one and a half months, the following comparative fig-

ures for the banks in Mexico City published in a local financial paper on September 7, 1931 are of interest:

	June 30, 1931	August 15, 1931
Cash on hand, gold pesos	19,049,000 pesos	9,769,000 pesos
Cash on hand, silver pesos	25,606,000 pesos	15,172,000 pesos
Deposits with foreign correspondents (expressed in pesos at 2 x 1 on dollar basis)	18,251,000 pesos	6,454,000 pesos
Sight deposits	113,507,000 pesos	74,496,000 pesos

Actually, the bulk of this movement took place between July 20, when rumours of the impending gold legislation became current, and August 6, when the Crédito Español de México closed its doors.

On Saturday July 25, representatives of the banks were called to the National Palace at noon and informed of a new monetary law that was being passed by the Chamber of Deputies. The principal features of the new law were that gold pesos were no longer currency and that all obligations contracted in gold would automatically be payable in silver, peso for peso. There were a few exceptions to this general rule, the main one being that gold deposits in banks, at sight or on a term basis of not more than 30 days, would be payable 30 per cent in gold and the balance in silver. Because of the run on the banks during that week, gold deposits had been reduced to relatively small proportions but payment of these previous gold withdrawals had exceeded the gold reserves held by the branch and the difference had been financed by drawings on U.S. dollars in New York. The branch was therefore faced with providing cover for these excess dollar drawings by converting silver into U.S. dollars as and when loans which were non-repayable in silver were repaid. But silver pesos had reached an exorbitant discount in terms of gold and, consequently, as compared with U.S. dollars.

A side effect of the new law was the need, over the weekend

of July 25, to recast all the books of the branch. Legally, gold deposits no longer existed, yet at the same time, the banks that had these gold deposits had to pay 30 per cent of the amount in gold and the balance in silver. Every bank had a different conception of how the matter should be handled, but so far as the Mexico City branch of the Bank was concerned, its personnel had little, if any, sleep from Saturday morning until Sunday night because of the preparations necessary for the opening on the following Monday. It appeared at first that a substantial loss would be suffered through having to accept payment of gold loans in silver, to adjust exchange positions, and to write down the capital that had been provided to set up the branch; but as events turned out, the loss, though fairly high, was considerably below what might have been the case.

Some consideration was given initially to seeking diplomatic intervention but thoughts along these lines were given up for a number of reasons: Mexico was a sovereign state and, as such, had the right to issue monetary decrees that she desired; the new law, while affecting the foreign banks more seriously than local institutions, did not discriminate against them since the law applied equally to all local and foreign banks; gold depositors were required to shoulder a portion of the loss since their deposits were repayable only to the extent of 30 per cent in gold.

When business was resumed on July 27, the office was soon crowded, mostly by gold depositors bemoaning their fate and giving their reasons why the Bank should pay peso for peso in gold. In that respect the Banco de México and a few of the smaller commercial Mexican banks had announced that they would pay 100 per cent gold for all deposits in that currency — a gesture that could not cause them any great loss since they had few deposits, compared with the foreign banks. Nevertheless, the newspapers carried most scathing editorials against the foreign banks for their attitude toward payment of their gold deposits and customers remained indignant, some of them carrying on protracted correspondence direct with the Head Office of the Bank.

Despite the clarification of the gold situation brought about by the introduction of the new monetary laws, there was still unrest about U.S.-dollar deposits and the ability of the banks to meet them. And there was also uneasiness about the soundness of some of the banks. The agreement, mentioned earlier, that the Bank could call for the payment of gold loans in dollars on a two-for-one basis had been nullified by the new monetary law. However, there was one favourable feature in the fact that some customers with loans in gold pesos voluntarily renewed their obligations in silver at small premiums.

To add to its difficulties, the branch was heavily stocked with half-peso (50 centavo) pieces of silver which, under the new law, were legal tender on any one payment up to 20 pesos only. The latter development caused some problem since, in the public mind, these pieces had somehow assumed a lower value than their denomination. It so happened, however, during the time of these excess holdings, that the branch was required to make a large payment to the Banco de México and when the cheque was presented, the 50-centavo pieces were offered but refused. The cheque was evidently returned to the federal treasurer who demanded payment in peso coins, but in spite of threats, the manager of the branch stood firm, considering that it would be better to dispute the matter with a government institution than to have disagreements with customers at a later date. The stand taken was rewarded soon after by a settlement in which the Banco de México accepted 75 per cent of the payment in 50-centavo pieces and the balance in pesos. It was still some time, however, before the branch was able to work its holdings down to a more comfortable level.

Eventually, the commission approved the issue of paper money. But with memories of the financial disasters of 1914-17, when paper money had become valueless, still in people's minds, the decision was to make the initial issue small so that demand would exceed the supply. This, over time, bred confidence in paper and all the metallic headaches of 1931 receded.

Other annoyances were found to replace them. In 1933 the

National Banking Commission ruled that $500,000 worth of the branch assets, including many loans, were not admissible as reserves for its deposit liabilities. On inquiring as to which were not admissible, the Bank was told of one large loan to a Canadian resident in Mexico which was secured by almost twice the amount in Dominion of Canada bonds. The Commission insisted that this was not adequate collateral since "no quotation could be found for the bonds on the Mexican stock exchange."

Such replies stemmed from an attitude that was becoming increasingly hostile to foreign banks. Disturbed by it, the Bank sought advice from many businessmen — American, Mexican, and Canadian — all of whom concluded that withdrawal would be the wise policy. Late in February 1934, therefore, the manager called upon the minister of finance in person to tell him that the operations of the Bank would be terminated in Mexico City. Mr. Stewart expressed his personal regret and the regret of all members of the Bank's personnel; the minister, for his part, also gave evidence that the decision was a loss to the community. He asked that his appreciation be conveyed to the directors of the Bank for their courtesy in having informed him before giving public notice.

It was not long before the branch was besieged by well-wishers pleading for the Bank to remain. To close a branch bank in Mexico was not as simple as in Canada where deposits, and usually the bulk of the loans, could be turned over to other local banks. In Mexico, not only had such assets as the building, furniture, and the like to be sold, but the branch could not close until it had paid off all its liabilities: each depositor had to be found and the obligation discharged in an acceptable form. This was a considerable problem, and it was aggravated by one depositor with a fancied grievance who reduced his account to a few dollars and then refused to withdraw the balance.

A further problem was the lack of clarity in the law as to how long branch records should be kept. The records of the branch were intact since its opening in 1910 and the question of what to do with them was a matter of some discussion within

the branch as well as with the local solicitors and the National Banking Commission. Finally, a ruling was given which permitted the destruction of a large part of this material although in the end, when the business was actually liquidated, there was almost a railcar-load of records to be shipped to the Bank's archives in Toronto.

Still the Mexican adventure was not finished. Although notice of the closing was given in February 1934, legal cancellation of the concession to carry on business in Mexico was not obtained until April 1936. Even at that, Mr. W.E.G. Nichols, who took charge of the liquidation after Mr. Stewart returned to Canada, was unable to leave Mexico until September 1937 because of the many difficulties involved, including adjustments of arbitrary tax levies and other matters requiring special attention. Señor Manuel Zermeno, one of the more senior of the local personnel, was then left in charge. As a coda to the Bank's Mexican enterprise, there came a letter to Head Office from Señor Zermeno in 1944 to the effect that he was being hounded by a former customer who threatened to sue him because the Bank had sold a property against his wishes in 1932! This, of course, was not true, but the prospect of success in the courts was such that Señor Zermeno had to sell his house — almost overnight and at a sacrificial price — to prevent its being seized by this disgruntled customer. The Bank compensated Señor Zermeno for the difference.

In Brazil, the '30s began with a bang — literally.

A revolution was engineered by Getulio Vargas, the governor of the province of Rio Grande do Sul, who installed himself as dictator in Rio de Janeiro. Armed strength could keep the people in submission and subdue workers on their periodic strikes. But an economy dependent on the export of coffee at a time when the world was in the grip of the Depression was less pliable, less easy to manage.

The Bank had been in Brazil since 1921, partly as a result of the request by one of its major customers, Brazilian Traction, Light & Power Company (now only remembered in Canada by

OUTSIDE AND INSIDE THE RIO DE JANEIRO BRANCH, *1920-30*

its shortened name, Brascan). In 1921, Brazilian Traction, through its operating companies Rio de Janeiro Tramways and Companhia Telefonica Brasileira, was a powerful component of the Brazilian economy and a major Canadian company.

During the summer of 1920, Sir Alexander Mackenzie, president of Brazilian Traction, had been elected a director of the Bank, and three officers charged with making the arrangements to open a branch of the Bank in Rio de Janeiro accompanied Sir Alexander on the S.S. Vestris on his return to Brazil later that year. On their arrival, they had first to secure a charter, which involved a complete translation of the Canadian Bank Act into Portuguese. Temporary premises were found, but a year elapsed before a suitable building in the requisite area off the Avenida Rio Branco was bought, remodelled, and opened for business.

Then, as now, Rio de Janeiro was a city of extremes: extreme wealth and hopeless poverty; modern transportation and age-old oxcarts; a total demarcation line between white and native Indians. A Bank officer described the situation:

"If you can reconcile electric street cars with thoroughfares so narrow that on festivals the flags protruding from opposite windows meet across the street you will have some idea of the business portion of Rio de Janeiro. If you can appreciate the anachronism of Rolls Royce cars, driven by smart liveried chauffeurs, running parallel with heavy carts on loudly creaking wheels, drawn by sleek and sleepy oxen, and led by a man with a 12-foot bamboo on his shoulder, you can visualize the whole gamut of the social scale of Rio, of which these two types mark the extremes....Once you step off the Avenida Rio Branco changes appear with kaleidoscopic rapidity; from the fashions of Paris to naked children; from the Rolls Royce car to the grazing goat; from the millionaire to the mendicant; and from ostentatious elegance to a semi-comatose despair, which is the condition of three-quarters of the native population. Sad-faced, hollow-eyed children, martyrs to heat, hookworm and inherited diseases, line the sidewalks everywhere and raise — for alms —

pitiful faces, or emboldened by desperation, emaciated hands. And this is not in the slums remote from residential districts, but one block behind the main thoroughfares.

"Portuguese is universally used and we soon found that Spanish was looked upon with a certain resentful scorn. In restaurants we have ordered dishes with foul-sounding names solely for the purpose of learning their component parts....A typical feature of the streets, in both residential and business sections, is the number of itinerant vendors of papers, fruit or fish. Their cries are musical and amusing, often extending to a gregorian chant of six or eight lines, repeated in a manner resembling a litany; the song would appear to be essential to the life of the singer, for it continues unceasingly. I heard one man reciting thus the merits of his oranges when a would-be customer approached. The man took down his basket from his head and his face bore every sign of unmitigated grief. He was so sorry; the oranges were all sold. Replacing his basket upon his head, he continued on his way, still chanting the orange litany."

The transaction of business meant bringing some sort of order out of this confusion.

In those days the monetary system of Brazil, like that of most other South American countries, was tied to the pound sterling, largely because of well-established trade relations with the United Kingdom and the substantial amount of British capital employed in that area. Up to 1920, or shortly thereafter, borrowings of federal, state, and municipal governments in Brazil aggregated £140,000,000 plus an additional £113,000,000 invested in, or loaned to, various public companies including utility, coffee, mining, and other concerns. The interest on these international obligations involved an annual outflow of £10,000,000, quite apart from the sterling (and, as the years passed, dollars) that had to be acquired by foreign-owned institutions such as banks and shipping and telegraph companies to remit surplus profits or dividends to their parent organizations outside Brazil. These payments were a heavy burden on an economy dependent on one commodity — coffee —

its price determined in a world market, and its abundance governed to a large degree by the weather. Brazil had a continuing balance of payments problem in the 1920s, with large and frequent devaluations of the currency, the milreis. It dropped, for example, from 20 cents U.S. in 1920 to about 10 cents within a period of three years.

Foreign exchange operations, in which the Rio branch of the Bank was largely engaged, were based on the 90-day sight bill on London. For the most part, these bills represented the export of coffee and were drawn under letters of credit issued by the London banks. However, the foreign exchange market in Rio de Janeiro was not by any means as simple as the purchase and sale of 90-day bills. Spot and future cable sales against such purchases, as well as arbitrage operations involving London, New York, Paris, and most capital cities of Europe, all formed part of the regular routine of foreign exchange dealings. Moreover, delivery of coffee export bills could be within 30, 60, or 90 days, according to the exchange contract. Further, the U.S. dollar was playing an increasing part in Brazilian financing. It was an intricate and involved market that was well-named by one experienced trader as the "cockpit of the world."

In order to impose Canadian business values, the branch was also compelled to keep two sets of books — one set to conform to government requirements, the other to match branch conduct in Canada. The first, the government record, was kept in bound ledgers by a Brazilian employee as his full-time job. Each page of the ledger, as it was brought into use, had to be initialled by the proper government authority, and the required tax paid upfront.

In addition, the banks' operations were checked daily by government fiscal agents, with fines levied for petty offenses, such as the failure to affix a stamp or to stamp the date in a regulation size and manner, or cancelling stamps incorrectly. As a result of severe restrictions and currency controls imposed by the government in 1931, a black market developed in sterling and dollars arising out of such items as salary and dividend cheques

received from abroad. At the official rate, the milreis or cruzeiro in 1931 was worth about eight cents U.S., though in the black market it was traded between five and six cents.

Despite all this, business might have been continued in a modest way (though the branch never paid its way) but for two new difficulties. Clashes took place every so often between government troops and strikers, helping to create a general atmosphere of uncertainty, and on several occasions the banks were closed for a day or two on the strength of pending trouble. In one such incident, the branch was selected by the army as a site for a machine-gun emplacement, the door of the bank commanding a fine view of the *avenida* leading to the waterfront. On occasions like this it was customary to provide coffee and sandwiches to the soldiers manning the gun.

Further problems soon arose with the introduction of a minimum working week, which resulted in bank employees becoming restive over wages and pensions. Eventually, in the summer of 1934, all bank clerks went out on strike in an effort to force the government to decree the establishment of a pension fund, to be financed largely by contributions from the banks and administered by the government. Against this background of general uncertainty and with little indication of any improvement in the near future, Head Office then decided to give up operations in Rio de Janeiro.

With due notice given to the Brazilian minister of finance, who was sympathetic to the decision, the closing proceeded in a very orderly manner. All the proceeds of the liquidation were allowed to be remitted to Canada. Exactly 13 years after its establishment, the Bank's branch in Rio closed. A year later, the building was also sold and the Commerce disappeared from Rio.

In Cuba, where a branch of the Bank had been established in 1920 in Havana, the Depression hit really hard. The price of sugar, the main component of the economy, had gone from an average of three to four cents a pound in the late 1920s to just more than one-half cent c.i.f. New York by 1932. At that price, it was estimated the return was scarcely enough to pay for the

shipping and the bag in which it was shipped. The sugar in the warehouse, therefore, was almost worthless. This meant that there was no money in the off-season, either to finance the next season's planting or to maintain the mill machinery. Yet without such maintenance, the mill could not operate the following year. And the Bank had been involved in the financing of two sugar mills. Looking at the 1932 situation in retrospect, it shows the far-sightedness and courage of the branch manager, Mr. W.T. Alexander, in that he nevertheless financed the 1932-33 crop and, in the end, recovered all the loans he made for that season.

The desperate situation of the sugar trade also translated into misery for the populace at large. There was no construction going on in the cities. The whole sugar industry — managers, cane-cutters, labourers — was so hard hit that, in several mills, labourers worked, in that terrible winter of 1932-33, for a meal from the company soup kitchen and a payment of 20 to 40 cents a day.

Such conditions were not aided by the ravages of almost yearly hurricanes on the island, especially one which hit in August 1933. These storms did little damage in the open countryside, but this one touched the city of Havana itself and did severe damage to the community of Cardenas, some 50 miles outside the city. In that community was the warehouse that stored the whole sugar crop of one of the mills the Bank was financing. A rumour sprang up that the storage facilities had been swamped by the cyclone's tidal wave and washed out to sea. All telephone lines were down and the roads were blocked by fallen trees. Suddenly a message came from the warehouse manager asking the Bank's officers to contact him immediately. Though it was late in the evening, staff members set out at once for Cardenas to inspect the situation. The journey was long and tedious, with fallen trees, washouts, and fallen wires obstructing the road. When they finally arrived, in the early hours of the morning, the Bank's car was intercepted by a group of armed men who were serving as police, since the police themselves had fled. They were helpful when the Bank's people explained their

mission, one that became even more ominous when they were guided through the town square by their new escort only to see a large lighter — one used to freight sugar out to ships in the bay — sitting smack in the middle of the square. The craft had been left there by the tidal wave. The warehouses were damaged but not, as had been reported, destroyed.

As dawn broke, the Bank's representatives finally located the man who had summoned them. It transpired that he merely wished to enquire about the insurance on the stored sugar so that he could place a claim. He subsequently did so and the loss on the buildings and their contents, which was substantial, was duly collected.

Tempest and climate were not, however, the main concern of the Bank in Cuba. What was a preoccupation, and often a dangerous one, was the volatile political climate.

In 1928, General Gerardo Machado, the incumbent president, had demanded and obtained a new constitution providing for a six-year presidential term instead of four years as provided in the original constitution of 1901. He ruled as virtual dictator until, on August 12, 1933, after a period of terror and revolt, the army finally deserted him and he fled the country. Carlos Manuel de Cespedes was soon declared provisional president, but before order was restored, 25 persons had been killed and many others wounded.

Three weeks later came the coup d'état of army sergeant Fulgencia Batista, who promoted himself to the rank of colonel and then appointed himself chief of staff and head of a junta of five prominent politicians who undertook to govern the country. Deposed army officers, gathered at the National Hotel in Havana, found themselves besieged and later bombarded by artillery which left two hundred holes in the walls of that building. During the fight, which started early in the morning, two of the Bank's officers who lived in apartments near the hotel had to remain at home or risk being struck by stray missiles. In a further revolt, some army officers commandeered planes at Camp Columbia with the intention of bombing Batista's head-

quarters, and one bomb fell on the golf course near the residence of Mr. Alexander, the branch manager. On the first day of this unsuccessful second revolt, an emergency meeting of the Clearing House was summoned to decide on a course of action for the banks, which remained closed for a while. It was some time before the revolt was suppressed and order restored.

In April 1933, one of the last important acts of the Machado government was the passing, in response to the insistent demands of those severely affected by the sugar crisis, of a moratorium law that suspended the enforcement of all payments on obligations of sugar mills, mortgages on real estate, and certain other debts until 1935. It thus became impossible to collect anything on many of the Bank's loans unless the payments were made voluntarily. Debtors could renounce the benefits of the law and waivers were easily obtained from those debtors who were still being financed by the Bank, but in other cases this was found impossible — or possible only through concessions after long and tedious negotiations. In August of 1934, the provisional government issued a decree granting a new moratorium to all debtors covered by the law of April 1933 and extending this moratorium to certain classes of claims not previously covered. This was later followed by another decree dictating terms for the liquidation of all claims subject to the decree of 1934 on an amortized basis over periods extending from 20 to 30 years at much reduced interest rates. The frustrating matter of obtaining waivers had to be undertaken all over again. And the concessions granted to obtain these in respect of the original law had gone for nothing.

The Bank stayed doggedly on, nevertheless, and with the advent of World War II and the rise in sugar price to two cents a pound, the debts were slowly collected. But the future for the Bank in Cuba was seen to be less than bright, and depositors were notified toward the end of May 1945 that the branch would be closed to further business from June 30. Actual liquidation, once under way, was rapid and by September 15, deposits of $8,000,000 had been paid off and current loans of

$3,000,000 collected. The members of the Bank's local staff were paid three weeks' salary for each year of service, with a minimum of five months' salary; this cost the Bank $75,000, and it was no exaggeration to say that when the Bank left Cuba, it did so with the goodwill of all its former employees and customers — and to the regret of the Canadian officers stationed there.

So ended the Bank's forays into Mexico, Brazil, and Cuba. For the staffs who served there, it was an unusual, often exciting, sometimes dangerous experience. It showed Canadians another kind of life quite out of their normal knowledge. And though no great profit came from the adventure financially, nor did any loss other than what Depression conditions brought everywhere.

The experience in the Caribbean was more beneficial to the Bank, but the conditions were equally eye-opening to Canadian staff members posted there. A member of the Bridgetown, Barbados, branch gave an eloquent account of it. Writing to headquarters in the early 1930s, H.B.G. Ince said:

"Bridgetown is small, but very busy. The population being something over 30,000 in half-a-dozen square miles, there are always people about. There are four clear-cut sections of the city in a radius of perhaps half a mile, and each has its distinctive character. There is Broad Street which, as its name inevitably suggests, is rather narrow and as an example of how not to lay out a street, it is probably unequalled. But a surprising amount of business emanates from the shops and offices on its sides. Here are all the big dry goods stores, the drug stores and the customary soda fountains, the three banks and some of the chief shipping and trading merchants' offices.

"Literally within a stone's throw of this more or less dignified centre, the character of the city changes altogether. Gone are the sedate buildings and the air of solemnity. In their place is a narrow winding street, with buildings struggling up towards the light, and each with its gallery on the first floor shutting in the street below....The man who christened Swan Street was at

MANAGER'S RESIDENCE, BRIDGETOWN...

...AND A BREAKFAST PARTY IN THE GROUNDS

all events accurate. Only an impressionistic artist could say that it was parallel to Broad Street, but at least it never manages to meet it. The stores in the locality cater entirely to the labouring classes, who are paid on Saturdays, and naturally make their purchases during the afternoons and evenings, often late into the night. Swan Street on a Saturday night resembles nothing so much as a high-class free fight, with Queensberry rules at a substantial discount.

"In this district, there prevails a great regard for the banks and anyone connected with them. When 'the bank' calls — this is how they invariably refer to the junior presenting drafts — the proprietor relinquishes all other interests and leads us into the depths of his 'office': (which is a part of the store with a desk in it). Here he listens with a delicately agonized expression to the details of a sight draft for $300, or whatever it may be. To get results, it is necessary to know these people well, and it is fatal to let them think you are domineering or even superior. In my experience, a ten-minute chat on the prevailing business conditions and the cut-throat methods of the man next door means willingly accepted drafts.

"The third part of the city we shall consider is Roebuck Street, where most of the provision merchants carry on their businesses. There is a permanent odour of pickled meat and fish in these stores, so that this thoroughfare might well be called 'The Street of Wonderful Smells'. There we meet the first rank of middle men between the importing houses of Broad Street and the smaller shopkeepers in the densely populated outlying parts of the city, and indeed, all over the island; and there the bulk of our collection business centres. One grows to know the idiosyncrasies of the Roebuck Street trader so well that there develops a special line of approach for each one; but it takes many a day to discover them. A few treat us like dirt; they are the kind to whom one talks briefly and pointedly, and suggests that the next day will be their last if that item is not paid promptly — and they appreciate it too. That is the only language that they can understand. With others, one uses the deli-

cate art of insinuating politeness, and yet with others, a bland bonhomie, a cheery greeting, or a sally at their expense.

"The final division of the city with which we are here concerned is the Milkmarket and Tudor Street district. Not very much collection business centres here, as there is a peculiar system of barter apparently in vogue between these lowlier shopkeepers and the traders of Roebuck. Yet this district is not without a certain vitality, although it has been hard hit by the trade depression. Here we have the kind of merchant who likes to accept drafts upside down, or on the wrong side, and is unable to work out the due date of a sixty days' sight draft without visible and excruciating effort."

As in Cuba, there were also moments of danger when riot and revolution broke out from time to time.

In June 1937, trouble in the Trinidad oil fields sparked strikes, riots, fatal encounters with the police, the evacuation of women and children from the remoter parts of the island, and the closing of many businesses; members of the Bank's staff acted as special constables. The situation was greatly eased by the arrival of H.M.S. *Ajax* which disembarked bluejackets and marines at the oil fields and other areas where strikers were running wild.

No sooner was the trouble in Trinidad simmering down than looting, rioting, and general terrorism broke out in Barbados. One of the branch staff was struck on the head by a bottle in a fracas right outside the branch, and required several stitches. A guard was stationed at the door of the bank to prevent the entrance of unauthorized persons. H.M.S. *Apollo* arrived at the end of July, and once again sailors and marines helped the exhausted local forces to restore order.

Next year, a dock strike in Kingston triggered an outburst of similar violence in Jamaica, which was eventually quelled by the Sherwood Foresters and the marines of the *Ajax*. Head Office advised the manager at Kingston that no resistance should be offered rioters bent on destroying Bank assets or property, these being adequately insured, and that tear gas might sensibly be

KINGSTON, JAMAICA, BRANCH
exterior and interior

purchased, with police approval, for the protection of personnel.

In spite of such alarms and incursions, the Bank's business, given the temper of the times, remained solid. There was a small trade in shipping surplus gold and silver coins from Jamaica to England when the price differential justified it. Price controls, quotas and the creation of a Sugar Manufacturers' Association in Jamaica also brought a certain equilibrium to the depressed sugar trade.

But it was principally a holding operation, reporting direct to London since the business was in sterling. That holding operation provided the solid basis on which would be built the Bank's prominence in later years.

As a pleasing footnote to a chapter full of Depression finance, political unrest, armed insurgence and, for the Bank in Latin America, severe retrenchments, the triumph of Francis V. Lumb, manager of the Kingston, Jamaica, branch should be mentioned. Against 45 of the best players in the island, over a three-day 72-hole match, he was the winner of the first Open Golf Championship ever to be run on the island in December 1922. And to show the Bank's, as well as his own staying power, he won it again in 1934.

MAJOR HARCUS STRACHAN V.C. IS PRESENTED TO THEIR MAJESTIES

Chapter IV.

THE WAR YEARS

THE BEGINNINGS of World War II had been rumbling around for a long time before the conflict was actually joined. Italy had invaded Abyssinia in 1935; civil war had broken out in Spain in 1936. Japan, having annexed Manchuria earlier, had invaded China in 1937. Hitler's forces had marched into the Rhineland, annexed Austria, then Czechoslovakia and were now ready, in 1939, to march into Poland.

None of this had been mentioned in the general surveys, either by the president or general manager of the Bank at successive Annual Meetings. Nor was there any indication of it in *The Caduceus* which went on its well-established, informative way featuring such items as service in the Bank at some of its more remote locations (Alaska) and letters from bank staff vacationing in exotic places such as Guyana and Bermuda. Right into 1940 it continued to devote several pages to the particular hobbies of Bank personnel: miniature boat-building, gardening, wood carving, cabinetry, stamp-collecting, and clay modelling.

Although the mother country of the British Empire was in increasing jeopardy because of Hitler's actions, it was the visit of King George VI and his Queen Elizabeth which preoccupied Canada in the early summer of 1939.

The Bank, through members of its staff, had been quite visible throughout their tour. In Kitchener, the Bank messenger, Charles Abbot, a veteran of the British Army, was a member of the guard of honour. In Hamilton, Lieutenant G.H. Stinson, from the Main and Kenilworth branch, was King's Colour Bearer when Their Majesties inspected the Royal Hamilton Light Infantry. In Vancouver, W.H. Rhodes of the Regional

Office was secretary of the Vancouver Area reception committee. In Edmonton, Major Harcus Strachan was one of seven Canadian holders of the Victoria Cross to be presented to the royal couple. And Alec Brady, a mellifluously-voiced elevator operator from the Bank's headquarters building, was chosen by the CBC to broadcast Ontario's official greetings to the visitors on Empire Day (May 24).

He said: "Greetings to your Majesties from the people of Ontario. I'm an elevator operator in the Bank of Commerce Building in Toronto, the highest building in the British Empire. Your visit here last Monday is one we'll remember all our lives. As a young Canadian I felt particularly proud to be one of the throng that greeted you as you rode through the streets of our city. Long life and happiness is Ontario's wish for you both."

War, indeed, came as something of a shock to Canada, and as an autonomous dominion, it showed its independence by not declaring war on Germany until September 10, two weeks after Britain had.

Nevertheless, because many of the Bank's people were in the Militia, there were immediate call-ups for them.[2]

By July 1940, *The Caduceus* was carrying a list of those on active service and in October 1940, it carried, on its Roll of Honour, the name of Peter Derrick Hincks, RCNVR, the first Bank casualty of the war. Alas, *The Caduceus* was also a casualty, ceasing publication in January 1941.

Through 1940, however, and until its demise, it regularly carried letters from serving members of the Bank from England, from various bases in Canada, and a brilliant series of letters from London by Dora Molteno which chronicled the events of the war and its effects in London prior to the Blitz.

[2]Of those involved in the royal visit, Major Strachan was promoted lieutenant-colonel and given the command of the 1st Battalion of the Edmonton Fusiliers (and was on active service, despite his age, until 1944). Lieutenant Stinson, by 1944 a major and company commander of the Royal Hamilton Light Infantry, was killed leading his men into action at Verrieres after the Allied landings in Normandy. Brady, the elevator operator, joined the Royal Canadian Navy where his ship received the surrender of a German submarine.

The ebb of people into the forces soon became a flood. The reason is clear: the Bank's male personnel, some 1,680, were of military age. It is a tribute to their patriotism, and the Bank's sense of national responsibility, that all but a dozen or so joined up. In order to facilitate their doing so, they were granted indefinite leave of absence without pay, plus an honorarium of one month's salary and allowances. They also retained their membership in the pension fund, their time in military service counting as service in the Bank. Moreover, once they had enlisted, they no longer paid their pension contributions. The Bank did.

The Bank also granted leave of absence to a number of its senior officers to allow them to serve in various capacities with the federal government. Mr. James Stewart, then an assistant general manager and later to become chairman, took on the responsibilities of administrator of services in the Wartime Prices and Trade Board, where he was associated with Mr. (later Senator) M. Wallace McCutcheon, in later years to become a director of the Bank. Mr. C.K. Highmoor, Assistant Supervisor of the Foreign Department, was appointed supervisor of the Approvals Division in the Foreign Exchange Control Board. Later, Mr. F.H. Brown, a superintendent at Head Office, was also granted leave to take on the duties of associate director general of the Munitions Contracts branch in the Department of Munitions and Supply. In this work, he was assisted by Mr. A.D. Lunt of the Credit Department at Head Office. Mr. Lunt had enlisted in the Royal Canadian Army Pay Corps, but was later placed on the General Reserve List and released for these duties with the government. Another officer temporarily released by the Bank was Mr. F.R. Currie, then an inspector at Head Office, who also joined the Wartime Prices and Trade Board; in due course he came to take on the responsibilities of a deputy minister.

The Bank's directors were also giving freely of their time and talent; Mr. H.R. MacMillan was serving as chairman of the Wartime Requirements Board in Ottawa and Mr. J.P. Bickell had joined Lord Beaverbrook's Ministry of Aircraft

Production in England. As Oil Controller for Canada, Mr. Cottrelle was also soon to make a very important contribution to the war effort.

The enlistment by the Bank staff brought about fundamental changes in Bank staffing across the whole industry. When war began, there were 18,720 men in the employ of the chartered banks. As they left, women were recruited to take their place. At the beginning of 1939, only 21.6 per cent of the people employed by the banks were women. By 1942, that figure had become 52 per cent. Although that figure decreased immediately after the war, there was no doubt by the mid-1940s that women would become more and more important in bank staffing.

In his Annual Meeting address in December 1942, the general manager, Mr. S.M. Wedd, referred to these changes and the impact they had had:

"Up to the present 1,247 of our officers have joined the various services. These men have largely been replaced by young men in their 'teens and women clerks. We have now 2,814 women on the Staff as compared with 1,032 in August 1939, and I cannot speak too highly of the manner in which these new employees have undertaken their duties. I should also like to pay tribute to the older members of the Staff upon whom has fallen the job of training these young people and who have had to undertake heavier duties and assume greater responsibilities."

There were some stories about the newly-acquired staff which went into the Bank mythology. Mr. H.M. Kelson of the Oxford & Richmond Branch in London, Ontario, reported an incident with a 15-year-old girl whom everyone called "Ducky." With the most rudimentary training, she went on her first cash and remembered that on exchange rates, she had been casually told to "soak 'em all unless they squawked, then refer them to the accountant." A retired person appeared at the wicket with a dividend cheque from the Bank. She told him there would be a 25-cent exchange charge. He was furious and said, forcefully, that he had never before paid exchange on a dividend cheque.

OVERSEAS CARE PACKAGES FOR CHRISTMAS 1940

WOMEN TAKE OVER AS WARTIME TELLERS

She replied: "When I was given this job, I was told to soak 'em all till they squawked."

Kelson goes on to say, in his report, "We were years living that down, as the customer had nothing to do but hang around town and tell everybody he knew."

It was not the Bank's fault that labour was short and time to train even shorter. And Head Office was pressed on all sides by requests from the field. One manager who telephoned Personnel asked if it would be in order for him to hire a girl who merely walked in off the street and asked for a job. He swears the Head Office person replied: "If she has the minimum requirements of one eye and two arms, hire her."

Says the note recording this in the archives: "The turnover was wicked."

In order to help the staffing situation, some branches were closed by "exchanging" them with other banks. Mr. Wedd disclosed this at the annual meeting in 1942.

"In an endeavour to meet the shortage of manpower the banks in co-operation with one another have been reducing the number of branch offices.

"While this is necessary in view of the present emergency we, of course, regret discontinuing branches where we have been long established, but we must do everything we can to alleviate the general staff situation which is becoming more strained through further enlistments in the Armed Forces.

"As recorded in the Directors' Report, we have, during the past year, closed 22 branches. This has been largely accomplished by exchanging branches with other banks. By that I mean while we close out at certain points in favour of our competitors, they in turn withdraw from other places in our favour. In this way the volume of the Bank's business is not materially altered; it is, in effect, an economical redistribution of banking facilities available throughout the Dominion."

One of the attendant difficulties of the new staffing arrangements was the whole new documentation and necessary regulation brought in by the government as a result of the war. And it

was very quick in arriving. Just six days after Canada's declaration of war, the Foreign Exchange Control Board was set up under the War Measures Act.

Never before had restrictions been imposed by the Canadian government on exchange transactions affecting its nationals. Branches of all chartered banks in Canada were acquainted with the new regulations by a 600-word telegram that originated from the newly established Foreign Exchange Control Board. This was followed by a supply of forms and further instructions in more detail which, with subsequent amendments, were to remain in force during the war and for some years after the close of hostilities.

Under the regime of the Foreign Exchange Control Board, the branches of each chartered bank in Canada became the sole authorized agents, or dealers, for the Board, purchasing and selling exchange in accordance with its regulations. Every business day, in order to settle with the Board, each branch bank having such transactions was required to send in, through its own head office, a return that would show the amount of foreign exchange bought and sold, supported by the necessary form or forms for each transaction. The Board's purpose in following the day-to-day course of business was to keep itself informed on changes in the various factors that could give rise to fluctuations in the country's foreign exchange position and to take whatever corrective measures might be called for. The Board provided, at its official rates, whatever foreign exchange it thought necessary for essential imports and services rendered to residents of Canada by non-residents. It controlled also the payment of maturing capital obligations expressed in a foreign currency.

While few welcomed these restrictions at the time, the manner in which foreign control was introduced and adapted to the existing circumstances was indeed a remarkable achievement. This was particularly so in light of the close connection that existed between Canadian and U.S. industry. Businesses and individuals on both sides of the border had long been accustomed to making transfers as they saw fit. The withdrawal of

this privilege overnight was rather a drastic step, but it was accepted without serious objection by the majority, since without control, the Canadian dollar would very probably have depreciated more than it did.

On the other hand, a heavy burden was suddenly placed on branch bank operations and the various key points that were called upon to process the necessary forms required by the Foreign Exchange Control Board. Certainly those who were in any way connected with the routine involved will never forget those days. This applied especially to the Foreign Department whose supervisor said, at the Bank's Annual Meeting in 1939, when replying to a vote of thanks to the staff:

"Speaking for my own Department the war problems so far have been chiefly paper problems arising out of the efforts to cope with, to assimilate and to apply the many new government Control Board instructions. So much so, that one of my staff said he thinks he must join the army, for there most orders are shouted, are necessarily brief and they cannot be amended and re-amended."

Quite apart from what the Foreign Exchange Control Board required, the Bank's headquarters had also, as early as September 3 (the day of the declaration of war by Great Britain), informed branch managers about the effects of war on the conduct of business. The memorandum stated clearly what, in fact, later came about:

"The outbreak of hostilities in Europe will no doubt involve heavy demands on the Bank for Dominion government and other war financing and, while at present the circumstances do not call for restriction of credit to our customers in connection with the normal business of the country — which it is desirable should function with as little disturbance as possible — new commitments by them in any substantial amount for plant expansion or development purposes, or for speculation, etc., which are likely to call for bank financing either immediately or later on, are in a different category, and however attractive to the individual or company concerned, must yield place to the major

issues at stake. We think that most customers will appreciate the reasons for and soundness of the foregoing decision and will be prepared to govern themselves accordingly in this present national emergency."

It also advised managers in detail about new foreign exchange procedures.

There was also the takeover of all enemy property, investments, payments and so on by the newly appointed Custodian of Enemy Property. Chartered banks were directed to transfer to Ottawa all bank balances and proceeds of bills in course of collection from German nationals. Further, all securities held on behalf of corporations or individuals resident in enemy countries were to be reported to the Custodian.

There were other immediate measures called for by the Bank itself. On the Pacific coast, the threat of enemy submarines made it prudent for branches there not to ship currency or securities to or from Vancouver Island without prior confirmation to Head Office that the shipment was insured. But after a while, this restriction seemed a little harsh for the actual amount of danger. In the event, all Vancouver Island branches cleared through Victoria, which then shipped to the mainland by air.

On the east coast, the war quickly became a reality. For the whole of the war, Halifax was the major port from which men and materiel in huge quantities left the North American continent to aid beleaguered Britain and, later, Europe. To cope with this, the population of Halifax soared. Housing was at a premium — in fact, often unobtainable — in the early days. Services were overloaded and emergency services particularly were stretched to the limit by the survivors from the myriad sinkings in the Atlantic.

As one Bank officer said succinctly:

"In the winter of 1941-42 there arrived hundreds of survivors of submarine sinkings on the Atlantic run — men frozen, wounded, or otherwise incapacitated who jammed wards of the hurriedly established hospitals and hostels. Tankers bringing oil to the port were attacked just off the harbour entrance and left

as flaming hulks. Halifax saw Churchill; it saw $35,000,000 in bullion landed as cargo from a battleship; it saw the survivors of the *Jervis Bay* after their immortal struggle against the pocket battleship *Deutschland*; it saw battered remnants evacuated from Dunkirk on their way back to the West Indies for rest and garrison duty; and it saw hundreds of young men coming to Canada for training under the Empire Air Training scheme. Halifax, it could well be claimed, was of all Canadian cities the most involved in the happenings of the war."

St. John's was also under strain. Though its harbour was not large enough to gather the convoys which filled Halifax harbour, it functioned as a convoy escort base. Saint John, New Brunswick, and Sydney, Nova Scotia, handled millions of tons of cargo. And when the Gander airport was being built in 1940-41, 19,000 Newfoundlanders were employed on the project. All of which impacted directly on the Bank's counter-work where, someone said, it was like the activity on the Prairies in the early days at harvest-time. Though the cause was brutal, the effect was prosperity — a prosperity rarely seen before or since in the Maritimes.

The office of the Bank on the firing line itself was that in London, England. A report filed with Head Office just after the war gives the flavour of the times as well as the details:

"On the assumption that the City of London would be the chief target for Nazi bombers, steps had already been taken to lease a large country house at Northwood, Middlesex, approximately 17 miles west of London, and a representative staff functioned there in comparative seclusion. A comprehensive service continued to be operated at Lombard Street, however, and the two offices kept in close contact by means of a private telephone line. Duplicates of all records and accounts were kept in both offices and copies of all transactions were despatched daily by special messenger service between the two offices.

"When bombing raids during daylight hours commenced it was at first customary, on the sounding of the warning sirens, for the staff to place their records in the vaults for security, and then make their way to the bombproof shelters provided in the base-

THE BOMB DAMAGE NEAR LOMBARD STREET

AN ARTIST'S IMPRESSION OF THE AREA

ment of the building. This involved so much unnecessary waste of time, however, in view of the ineffectiveness of these raids, that the bank's personnel stayed at their posts after the initial warning and only moved to the shelters after an additional 'overhead' warning was given by our own watchers on the roof.

"The City of London itself was divided for security purposes into Zones, each under the jurisdiction of a Zone Commander, and office staffs were enrolled and trained as Firefighters and Air Raid Wardens to cope with all emergencies. Security was also maintained in the City outside working hours by night guards enrolled from the Bank's personnel. These kept a constant watch during the night hours, being relieved by rota, and spending their rest periods in bunks specially provided in the basement which had been specially strengthened to withstand the possible collapse of the building itself.

"Although the Lombard Street premises and the staff escaped serious damage throughout the whole period of the war, there were several 'near misses', and the Bank's guards were called upon on many occasions to deal with incendiary bombs which fell on our own and neighbouring premises, and with casualties from nearby offices. There was in particular the incident portrayed in the picture now hanging in the Bank's archives which shows the chaos caused on the very doorstep of No.2 Lombard Street, when a large sized high explosive bomb fell at the junction of seven major roadways in the City, and seriously disrupted communications for a period. On another occasion the whole office was ringed by a chain of burning buildings, but the incendiaries which fell on our own premises, and indeed down the elevator shaft itself, were extinguished by our firefighters before they were able to take a hold. A high explosive bomb also fell into the well of the building, but this must have been defective since only the detonator exploded, causing only minor damage.

"Transport problems were a major concern at this time, for the chaos caused during the raids often interfered seriously with transport arrangements, and staff frequently had to pick their

way on foot through burning debris and amidst acrid smoke fumes, to reach their places of employment.

"It was found, at this time, that the work of compiling the usual monthly Budget figures, which could only be completed after normal banking hours, was so frequently interrupted by raids that the officers concerned found it more convenient to do the necessary work in the comparative security of the Northwood premises, where they enjoyed the hospitality of the Accountant who resided there.

"It is worthy of record that, in spite of depleted staff and wartime difficulties, London, England, was able to offer an unparalleled service in coping with the increased demands of their regular clientele, as well as the many Canadian and American service men and women who conducted their pay accounts at No.2 Lombard Street. Morale, too, ran high during those troubled years, aided in no small degree by the regular parcels of good cheer which reached them from Head Office. London, England, carried on."

Back in Canada, the Bank had collaborated whole-heartedly in the efforts of the federal government to finance the war. During the first part of 1939, the federal government had borrowed only $70 million by way of loans on the issue of treasury bills. By October 1939, it had to raise a further $200,000,000; this, at a rate of two per cent and for a term of 12 years, was taken up by the chartered banks with the Canadian Bank of Commerce participating on its own account to the extent of $41,200,000. At this date the Bank held, as a part of its investments, $8,000,000 in three-month treasury bills that had produced a yield of only .584 per cent per annum.

By December, it was apparent that further money would soon be needed by the government, and in the following month, the First War Loan was launched for an advertised amount of $200,000,000 and at a coupon rate of 3 1/4 per cent. The response exceeded all expectations and subscriptions totalled $374,000,000, of which an amount of $250,000,000 was allotted. Sales by the chartered banks were approximately one-sixth

of the allotment; the Bank's branches participated to the extent of just over $15,000,000, 52 per cent of which originated in Ontario. In all, there were 178,363 separate subscriptions to the First War Loan.

One of the most gratifying aspects of this and later War and Victory loans was the participation of the province of Quebec. Canada's declaration of war was supported by the Quebec Liberals at Ottawa, but with a proviso that there should be no conscription; Mackenzie King, dependent on Quebec for electoral support and mindful of the division of the country in 1917 over this question, accepted this condition. Later, in 1939, Duplessis called a snap election, challenging the federal government's right to declare war on behalf of French Canada, but was defeated by the intervention of the federal Liberals. Given such apparent reluctance on the part of Quebec, the fact that it contributed nearly 28 per cent of all the money raised by loans to pay for the war is all the more impressive and significant.

The Second War Loan was launched in September 1940 with a three per cent coupon and a declared objective of $300,000,000. It was also well over-subscribed, and a total of nearly $325,000,000 was allotted. In this drive, the Bank had handled just under 19,000 applications — an almost identical number as for the First War Loan. In January 1941, the federal government, ever in need of more money, made a private issue of $250,000,000 at 1 ½ per cent in 2 ½-year notes that was taken in its entirety by the chartered banks; of this total, the Bank subscribed for $51,000,000 on its own account.

Then, in May 1941, the First Victory Loan campaign was launched for a proposed $600,000,000. The Bank sent out 232,000 letters to its depositors, urging them to participate in the loan — the cost of printing, postage, and other incidental expenses in this instance amounting to nearly $5,000. In this campaign, a total of $841,000,000 was subscribed and allotted, with the Bank dealing with 21.03 per cent of the nearly 200,000 applications taken in by the chartered banks. The actual work involved in this tremendous effort can hardly be imagined, the

HAMILTON, ONT. BRANCH'S VICTORY BONDS DISPLAY

brunt of it falling on those attached to the various bond departments. It came to be said, perhaps somewhat facetiously, that "a man who quit the bond business in those days to join the Army was a coward."

Some appreciation of the magnitude of the task that confronted the banks in handling the war loans may be gained from the fact that, while the war lasted, eleven individual issues were made to the public and were taken up by 3,000,000 Canadians in every walk of life. Every one of these was a holder of either War or Victory loan bonds. Selling campaigns for each loan were organized by the Bank of Canada through the National War Finance Committee with the full co-operation of the chartered banks and various investment houses, which received a commission of one-eighth of one per cent on their sales. Throughout Canada, branch banks became selling agents of the government and were ready to arrange cash and instalment purchases on behalf of customers. In every case, loans to such borrowers were made at the coupon rate prevailing. Bank pensioners, in many instances, were recruited by investment houses to act as salespersons and made a notable contribution in this particular field.

But with war production, business was changing rapidly. Speaking to the 1941 Annual Meeting, the general manager, Mr. A.E. Arscott, said:

"We have been at war for over two years and the changes which have taken place in the economic sphere of the Dominion, mainly in the past year, are unprecedented in the history of Canada. Industry, mining and some major sections of forestry established new production records. Construction attained the greatest volume since 1930. Farm purchasing power increased recently to a ten-year peak. Employment was also at a record level, the increase in the number of workers during the year being greater than in all the preceding decade, with wage payments rising by nearly one-third, or by over $500,000,000.

"An increase of 30 per cent in industrial production in the past year and of 60 per cent since August 1939 has effected a

structural change without parallel in Canada's economic system. The rise in industrial output in a little over two years actually exceeded that estimated to have taken place in the entire war period of 1914-18, when Canada utilized practically all her available man and machine power for military and armament purposes. So pressing have been the requirements of the present conflict and so adaptable has Canada proved in this emergency that her industrial output has increased in such record proportions that it now accounts for nearly half of all her production and, combined with mining, construction and forestry, for over 70 per cent of all national economic activity. Indeed, our industrial development since August 1939 has been greater than that recorded in the preceding ten years, several of which were themselves notable for industrial growth."

These remarks were made on December 9, 1941, just two days after the Japanese attack on Pearl Harbor. This brought the United States into the war, which thus became, as never before in history, a global conflict.

The U.S. entry had enormous effects on Canada, but it had two particular effects on the Bank's operations in two widely distant parts of the world: Alaska and Trinidad.

There had been a fair amount of discussion over the years about building a road through Canada's North which would join Alaska and the United States by overland route. A commission, in fact, had been appointed in 1933 to consider a route through British Columbia.

Further developments did not take place until the appointment in 1938 of what was known as the United States Government-Alaska International Highway Commission which received some Canadian support. Despite some further planning, a road had not materialized by September 1939. After the attack on Pearl Harbor on December 7, 1941, however, there was immediate cause for concern at the inaccessibility of Alaska, and this was heightened some weeks later when Japanese warships were reported in Alaskan waters. This factor quickly changed the thinking in respect of a coast road from Seattle to

Fairbanks; before long, the sponsors of a more inland route that would link existing airstrips won the firm support of both governments. Within weeks, the Joint Defence Board of Canada and the United States had reached agreement on a general plan for the project which now had top priority as a war measure. Thereunder it was decided that the United States government would be responsible for the construction of the highway, using engineer troops for the necessary surveys and preliminary work; that the services of both Canadian and U.S. contractors would be enlisted; that the United States would maintain the finished highway for a period of six months after the cessation of hostilities; that Canada would waive import duties, tolls, and other charges on traffic moving between the United States and Alaska; and, lastly, that Canada would allow the use of rock, gravel, timber, and other materials found along the proposed highway. Few of those who knew much about the actual conditions on the proposed 1,600-mile route beginning at Edmonton, crossing mountains, rivers, and even muskeg, to be constructed in temperatures ranging from 90°F and up in summer to -60°F in winter, were prepared to minimize the actual work involved, particularly when its completion was called for in a matter of months rather than, as would have been normal, of years.

The Bank had first been represented in Alaska almost half a century before. It had provided a service at Skagway from 1898 to 1910, opened a branch at Dawson City, Y.T., in 1898 at the height of the Klondike gold rush, and at Whitehorse, Y.T., in 1900. Long before a highway to Alaska was ever contemplated, it had pioneered in that area. In 1929, a year before the opening of the Northern Alberta Railway from Hythe to the end of steel at Dawson Creek, the Bank had established a sub-agency at the latter point under the jurisdiction of the Pouce Coupe manager; two years later it was given the status of a full branch. By that time it served a community of 800 people dependent for their livelihood on the activity created by the railroad, its six grain elevators, and the distribution facilities for trappers, guides, and hunters. By 1940, the business of the branch had increased to

Line-up at Dawson Creek


Manager's Office, Whitehorse


Vehicles in Muskeg


Dedicating the Highway, 1942

THE ALASKA HIGHWAY

the point where it became necessary to erect a new building, which had to be enlarged twice between 1942 and 1945.

What was more natural than that a bank as long established at so many key points along the proposed route of the highway should be selected as a depository for funds of the United States government administered by finance officers of the United States army? On March 6, 1942, such an arrangement came into effect, and three days later, at 1:30 a.m. and at -25°F, the first United States troops pulled in to Dawson Creek. They were the vanguard, the quartermaster's troops, charged with the responsibility of establishing a base; another 9,000 U.S. soldiers followed, comprising seven army engineer regiments; civilian contractors, with 7,000 men, working under the Pacific Roads Administration of the United States, came next.

During this period, conditions at Dawson Creek were far from ideal. Living accommodation was at a premium and many people got by in makeshift quarters that consisted of tar-paper shacks, prairie schooners, trailers, tents, and any other type of shelter available — this in temperatures that often went as low as -40°F. Many of the construction workers on the highway were from the southern areas of the United States and had never before encountered even zero weather. Water supplies and sanitary facilities were taxed to the limit, and medical men were in constant fear of a major epidemic. Eventually conditions became so bad that the United States army engineers piped water into Dawson Creek from the Cut Bank or Kescatineau River, 30 miles to the west. Before the completion of this system, water was sold by the barrel and was actually more expensive than milk or gasoline. Conditions were improved also by the installation of a sewage disposal plant.

A banking service had to be provided for the large and sudden influx of workers all along the road. At the start there was only a dirt track connecting Dawson Creek and Fort St. John, then 60 miles away (a distance later reduced by the new road to 49 miles), and the Peace River had to be crossed. It was feared that the ice would go out before supplies could be moved across,

but fortunately a late spring delayed break-up until April 15, permitting the establishment of a camp at Charlie Lake, six miles west of Fort St. John. Here a branch of the Bank was opened on May 26 — just ahead of a similar move by the Imperial Bank of Canada.

Two hundred and fifty miles to the north was the next habitation, Fort Nelson, little more than a trading post. The road had now to be built over muskeg — a type of swamp which in summer is soggy muck, often 10 to 12 feet in depth. Long stretches of terrain had therefore to be corduroyed; both men and equipment wallowed in a sea of mud; hundreds of thousands of trees had to be uprooted by bulldozer and millions of yards of earth and rock removed; rivers and fast-flowing streams had to be bridged and culverts built. The work called for the operation of multiple-tired trucks, equipped with huge trailers, shuttling back and forth over the many-hundred-mile stretches both day and night. It demanded abnormally long shifts — men sometimes worked for as long as 60 hours at a stretch without proper sleep. Many of the runs were extremely hazardous, as grades were often at an angle of 45 degrees; with equipment weighing up to as much as 100 tons, accidents were inevitable. At night, as the project began to roll, it became a sight to behold; one pilot whose duty it was to fly along the route said: "That stretch to Fort Nelson looks like Broadway — it seemed to be lit up all the way with headlights of trucks."

Beyond Fort Nelson, the country, again desolate, rose rapidly with mountains in view most of the way; many of their summits were three and four thousand feet above sea level. Some 360 miles northwest was located a small centre known as Watson Lake that, only a point on the map, sat astride the Yukon-British Columbia border. Still 275 miles further north lay Whitehorse itself. While the road was being pushed onward from Dawson Creek, units of the U.S. army engineers and the various contractors began work in June from the other end of "the Road" at Whitehorse.

From the outset, the U.S. army engineers had taken the lead,

cutting a wide swath through country in which every conceivable type of obstacle was encountered and the work made more difficult by dust, rain, mud, mosquitoes, and black flies. The contractors, following up the engineers, by-passed one another as necessary to get on with the next section, and day and night the stillness of the wilderness was shattered by the roar of machinery. In spite of all difficulties, work during the summer and fall of 1942 never ceased, and finally, on November 3, a bulldozer working as an advance guard northward from Watson Lake was met by another from Whitehorse. Just over two weeks later, and a little more than nine months from the first arrival of the U.S. army engineers at Dawson Creek, the Alaska Highway was opened with appropriate observance at Soldier's Summit overlooking beautiful Kluane Lake.

As the Alaska Highway was being built, the Bank established additional offices along its route. One, in the locality of Dawson Creek and known as the Alcan Highway sub-agency, was put into operation in April 1943 to provide payroll service on Saturday evenings from 7:30 to 9:30 p.m. while the other, a branch at Muskwa, was opened in March of the same year. They were to remain in operation until April 1944 and July 1944 respectively.

It was estimated that the population of the area between Dawson Creek and Whitehorse at the peak of developments in this region was anywhere between thirty and fifty thousand people. It was a daily occurrence that as soon as the branches opened at these key points at 10 a.m., all the available customers' space would be filled to capacity with line-ups extending outside the doors. The offices would remain this way until noon when customers would be asked to leave and to come back at 1 p.m.; and the procedure would be repeated in the evening, with the customers who had not made it to the counter being requested to return the next day.

Things were little better at the Fort St. John and Pouce Coupe branches and the personnel here would complete the day's balance anywhere between 7 p.m. and midnight. Many of the

male officers would be coding telegrams for remittances to various points in Canada and the United States at 2 and 3 a.m.; this went on for weeks at a time. The congestion in these branches was so bad during so-called business hours that the merchants of the community got into the habit of mailing their deposits to the Bank. However, this was no solution since a deposit that was mailed could take two or three days to be delivered.

All this feverish activity had, for some reason, little effect on the way of life of most residents of the Yukon. An officer of the Bank reported:

"It was surprising to find that the town of Whitehorse proper had changed very little since a visit some eleven years ago. Notwithstanding the huge activity on the outskirts of the town and district by the United States Army and contractors there has been practically no new building construction in the intervening years in the town itself. Store fronts have not been improved nor even painted. Sidewalks, where they exist, are in very bad repair and there is still no waterworks or sewerage system. There is little evidence of the establishment of new places of amusement such as pool rooms, etc., which would ordinarily accompany such activity in any district. Military and company officials freely express amazement that the Territorial Government, Federal Government or local citizens would have done so little to improve conditions.

"An interesting incident on our visit to Whitehorse occurred in connection with the opening of a new motion picture theatre at McCrae a few miles outside Whitehorse itself. The opening ceremonies were broadcast throughout Canada and the United States. It was suggested that Brigadier-General O'Connor christen the theatre with gold dust supplied by the Bank and as a result the branch furnished a small amount of gold dust as well as a gold poke which has a history attached to it."

With the end of the war there came a let-up in the feverish activity that had characterized the operations of the branches located on the Alaska Highway. By April 1946, the highway was officially taken over by the Canadian government upon payment

of $108,000,000, representing its share of the cost. It was estimated that total expenditures by the United States authorities had amounted to very close to $140,000,000.

In the torrid Caribbean, thousands of miles from frigid Alaska, there was a similar invasion of U.S. forces into Trinidad. Great Britain had leased bases there to the United States in return for 50 desperately needed but obsolete destroyers. Port of Spain soon became a hive of U.S. activity. The branch manager had been present when the Stars and Stripes first ran up the flagpole at Stauble Bay and the branch was commissioned as paying agent for the initial contingent of Americans. After Pearl Harbor, the activity increased and soon there were 45,000 U.S. servicemen stationed on the island.

Making up their payroll requirements became a major activity for the branch. The U.S. army had its own security regulations for the protection of cash and each finance officer was guarded by 10 to 15 men carrying side arms and tommy guns; when they marched into Marine Square where the branch was situated and took up positions, it was reminiscent of a real invasion. The Bank used its own notes in Trinidad and had them shipped from Ottawa — four to a sheet — bearing only one facsimile signature so that the other had to be affixed by the manager in his own hand, in itself quite a task. When it became necessary to issue fresh notes he would retreat into his office and start signing; the sheets were then strewn about all over the place to dry; after that, they had all to be cut apart into individual notes! Many of the Americans were so fascinated with the idea of getting banknotes signed personally by someone they knew that they took the notes home as souvenirs.

By 1942 an area in the centre of the island was made available as a U.S. military and air force base. Here, in November 1943, service was provided by the Bank as a sub-branch to the main office. Known first as "Fort Read," but subsequently renamed Waller Field in February 1948, it was located about 24 miles east of Port of Spain. Prior to the establishment of the Fort Read sub-branch, the Port of Spain office had 71 accounts

on its books in the names of various organizations or units with a military background, having either Chaguaramas or Fort Read as their headquarters. The ordinary month-end payroll amounted to as much as $550,000, with the volume of cash handled in the months of July, August, and September rising to a peak of $2,500,000. It was arranged with the United States military authorities that space in the building occupied by the finance officer would be made available at Fort Read for banking purposes at a very nominal rent. Included were water, light, janitor service, and the use of a typewriter and adding machine - the latter pieces of equipment being especially welcome since they were extremely difficult to procure. A reinforced concrete vault was also constructed in the building for the use of the sub-branch. Its personnel were given free transportation and an armed guard for the movement of cash from the main branch.

Although the branch personnel were not as much at risk as those on active service, living conditions on the island were hardly those of the paradise that people in Canada might have imagined. One of the Bank's people gave an account of them to Headquarters in the summer of 1942 when the activity of German submarines had caused a severe shortage of food, most of which had to be imported.

"There were occasions when we would go for weeks without tasting meat and you were lucky to get a bit of cold boiled fish and rice for lunch — eventually the rice ran out. Once — for six weeks — we had no bread and though I cannot remember ever going hungry we all became thoroughly fed-up with the yams and bananas we had to use as a filler. Occasionally a customer would bring in some wild meat such as turtle, deer or armadillo and I have even eaten iguana, a type of large lizard. The only milk we saw was powdered and that can get very monotonous but the thing we all yearned for was cheese. Food became an obsession with everybody and at social gatherings people would spend the evening describing to each other the wonderful meals they had eaten before the war in such places as London, Vienna and Budapest. A 'black' market in these short supplies rapidly

came into being to circumvent Government controls. By way of contrast the American forces had everything they needed - they even flew in such delicacies as strawberries and, strange to relate, oranges from California, though the orange groves in Trinidad were groaning from the weight of the fruit. Everyone you met had American cigarettes at a nickel a pack; the biggest deal of all if you were friendly with an American officer was to get an invitation to Fort Read for Sunday dinner."

As the war rolled on, the news began to brighten from the front. The Blitzkrieg on London, which had devastated great areas of the city's East End and its docks, had temporarily lifted until the V1 and V2 rockets came on stream in 1944. Italy had been invaded, with two Canadian divisions playing a notable part in the gradual conquest of that long peninsula — what Churchill called "the soft underbelly of Europe." The bombing of London had been replaced by the mass-bombing of Germany.

In the European theatre, Canadians were everywhere, Bank personnel among them. They took part in the disastrous raid on Dieppe, the first tentative move toward a Second Front. They flew the aircraft which ceaselessly bombed German cities engaged in war production. They patrolled endlessly in the North Atlantic, giving protection in their corvettes and destroyers to the constant flow of convoys from North America to the battle zones. They were there in the 1st and 5th Canadian divisions which invaded Italy as part of the famous 8th Army. On the other side of the world, staff members had been taken prisoner by the Japanese at Hong Kong. By 1943, in the Royal Canadian Air Force alone, eight Bank employees had been decorated for gallantry. One, Wing Commander J.E. Walker, a bank employee and son of a bank employee, was awarded the D.F.C. and two bars in less than nine months' operations.

It is a pity that *The Caduceus* had ceased publication, for obvious reasons of time and staff, in January 1941. If it had still been available to reprint letters from Bank employees serving in the Forces, on the various fronts, what a rich collection there might have been.

By 1943, however, Prime Minister Churchill, looking at the global picture, was bold enough to say that the year "was, if not the beginning of the end, at least the end of the beginning".

With that end in distant sight — and it was a long two years in actually coming — it was clear that Canada's unparalleled prosperity would be under severe strain. As the general manager's address to the Annual Meeting in 1944 pointed out: "Today in Canada we have reached an unprecedented peak of production and employment. Primarily this is true because war is consumption (or destruction) to the highest degree. Between this peak and the peace-time objective of 'full employment' lies the hazard of transition — the conversion of a war economy to peaceful pursuits."

Already some innovation and far-reaching initiatives had been put into place by the federal government. It was certainly now up to the private sector to make its own plans. But as Mr. Logan noted:

"Reconversion will not be automatic nor can it be viewed simply as a change of heart. The tasks ahead will neither be simple nor easy and this fact should condition us to a willingness to co-operate each according to his ability."

The war still had to be won, however, and part of that effort was to ration certain foodstuffs: meat, sugar, tea, coffee and butter. The allotted amount that could be bought was only obtainable on the presentation of ration coupons. First issued in March 1942, this meant some 20 million coupons per month were deposited with retailers who then had to pass them back through the chain of wholesaler to manufacturer to importer. The Ration Coupon Administrator, realizing the huge scope of this activity and the shortage of manpower to set up a new service to deal with it, asked the banks to co-operate. With the staff problems at the counter already, this was a great added burden, but the banks nevertheless undertook it at less cost to the country than anyone else could. The activity certainly widened the range of customers coming into the branches.

The acting accountant at the Church & Dundas branch in

Toronto at the time reminisced later:

"We had some very strange things happen...with many bribes offered for gasoline, sugar and butter coupons. It was a pretty slippery neighbourhood. Many characters that we met there we have heard of since, gangsters and street-walkers, some of them now dead and some in jail."

V-E Day finally came on May 8, 1945, declared a bank holiday, and it was one of great rejoicing.

The first action of the Bank's new president, Mr. Arscott, was to send a cable to the London branch:

"To you and through you to all members of the London staff we extend greetings and rejoice with you in complete victory over the enemy in Europe. In this hour of triumph we are not unmindful of the trying conditions you had to face while under attack and your unwavering loyalty and devotion in carrying on and caring for the Bank's interests in London. The executive officers of the Bank join me in paying tribute to all of you for your courage and fortitude during the long period of the war."

Three months later, with the atomic bombing of Hiroshima and Nagasaki, V-J Day followed and the war was over.

From the Bank, 1,523 men and 158 women had served in the Forces, 133 of whom had given their lives. Over 100 had received decorations for gallantry. And almost 90 per cent of those who were demobilized between 1945 and 1946 returned to their interrupted service with the Bank.

Addressing the Annual Meeting in December 1945, the president said:

"I could not begin my remarks today more fittingly than by voicing the feeling that is uppermost in our hearts: reverent thankfulness — thankfulness for the end of the fighting in two vast theatres of war, for the victory of the year that is past and for the noble services of the armed forces. For those of Canada's youth who will never return we can neither express nor adequately record the full measure of our sympathy to their sorrowing parents and relatives."

And he ended his address:

"I should not wish to conclude these remarks without particular reference to the rehabilitation of our returning men and women from the armed forces, who have served this country and the cause of freedom so nobly. As you know, a very high percentage of banking personnel joined the navy, the army and the air force, and the men and women from this Bank were among the foremost. Each member of the Staff on his return finds awaiting him a position at a salary commensurate with that which he would have received in the course of uninterrupted service and promotion and is afforded every assistance to enable him adequately to readjust himself to banking activities. Each one also receives the Bank's cheque for all bonuses declared to the active members of the Staff during his absence. As well, the Bank made contributions to the Pension Fund for all members of the Fund who served in the armed forces so that when they return they have full credit for the time they were away.

"In these things I know that the management is reflecting the earnest and patriotic wishes of the shareholders."

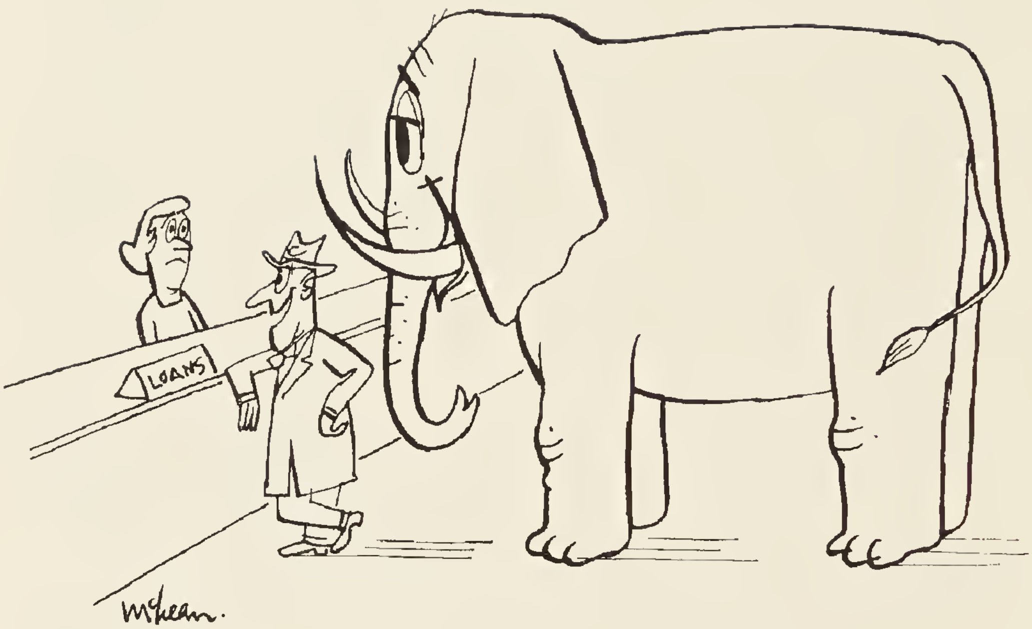
Later, a magnificent book of war service records was produced, and the roll of honour placed in the Headquarters building together with those of World War I.

As autumn faded into winter, the country and the Bank faced the enormous problems of rehabilitation, reconstruction, and reconversion.

With assets now well over $1 billion, with a chairman, president, and general manager each of large experience, and a head-office staff that had come up through the ranks and were well seasoned, the Bank faced these problems more as challenges.

It was also a leaner operation than it had been. Depression and the war had seen the closing of some 283 branches, often under mutual agreement with other chartered banks, leaving only one such in places where joint agreement made the economy feasible.

With 502 offices in Canada and 12 abroad the Bank was, as one officer said, "lean and ready for the prosperous years ahead."



"May I speak to somebody about a Farm Improvement Loan, please?"

Chapter V.

Post War Expansion

THE FIRST task of the Bank after V-E Day was to welcome back and reintegrate its returning veterans into the work force. The fact that many of them were exactly that — veterans — was a little disconcerting, indeed quite stressful on both sides. These men and women, particularly the men who had joined up early in the war, had gone away as young and innocent adults, not long out of school. They returned five years older, battle-hardened, and infinitely more experienced. Many, too, had been in positions of real authority: their old Bank job was not very challenging. As one man said: "In my opinion the Bank was too easy on us when we returned. I know I was sent to the branch I enlisted from as a utility clerk. The branch was overstaffed anyway and I had pretty much of a holiday for the first year. Somehow I think we should have been made to accept responsibilities much quicker."

A returning RCAF officer, Mr. J.G. Mullen, was much more specific in his comments. Interviewed in October 1958, twelve years after his return and when he had by then become manager of the Bloor & Church branch in Toronto, he said:

"It was a tremendous adjustment in two aspects of my life. The first adjustment, and I think the hardest, was dropping from a Flight Lieutenant's rank, drawing a salary of approximately $5,500 to $6,000 a year with no income tax, down to a salary of $2,100 and having to support two children and face the post-war inflationary period.

"The second problem I found was an adjustment in responsibility. In the last two years of the war I was officer commanding night flying operations and had under me approximately 300 men and was responsible for the major decisions in all their

lives. Each night we would send out sixty aircraft at 9 o'clock and again at 1.30. The responsibility of sending these men out in all forms of weather was entirely mine. In addition to that, the administration details of running a flying squadron of five flights were quite heavy and quite broad. To return to the Bank and to find yourself placed again down at the bottom of the ladder with the responsibility of running nothing more than an adding machine was a major adjustment.

"Yet I feel that the executives in Head Office leaned over backwards to help us get across these initial stages. I believe their problems were just as severe as ours were."

The actual living problems of such people were also helped by generous government gratuities which, in the case of Mr. Mullen, helped him to, as he put it, "weather the storm" of post-war inflation and to buy a house within three years of his return.

Gratuities were not the whole story. The government had been more than usually far-sighted in facing the return of the country to peace. The basis was laid during the decennial revision of the Bank Act in 1944. Commenting on this in his Annual Report at the end of that year, the president, Mr. Logan, said that the technical amendments, in his view, "had the purpose of enabling the banks to serve more efficiently the credit needs of the public and of broadening the lines upon which the banks may assist the trade and industry of the Dominion, both during the period of transition from war to peace and afterwards."

He went on to point out specific new structures which had been put into place by the government at the same time as they amended the Bank Act.

They consisted of, first, the Industrial Development Bank, a subsidiary of the Bank of Canada which would have the ability to make longer-term loans to both existing and new enterprises than it was prudent for the chartered banks to do. Chartered banks, said Logan, did and should have a policy of short-term loans, thus keeping their resources liquid. In the process of post-war reconversion, such short-term loans might

not be a sufficient instrument to assist in major changes from war to peace production.

The second was the Export Credits Insurance Corporation - a mechanism whereby Canadian producers would have the risks attendant on re-establishing international trade underwritten by the government. Since the premiums charged would make the Corporation self-liquidating over the long term, Logan was in favour of the move, providing always that “the existing facilities of the banks for financing and collecting bills of exchange will continue to be used.”

These two would serve big business. There were also moves which would benefit individuals. The first was the Farm Improvement Loans Act which would enable banks to give short- and medium-term loans to farmers whose implements, buildings and, indeed, soil, had not been renewed under wartime conditions.

The second, which would become enormously important, was the National Housing Act, which would make it easy for people to buy affordable housing with generous loan terms from a government lending authority. This in itself did not impact on banks, which were not legally allowed to grant mortgages at that time (that would come in a later decennial review), but the provision of home improvement loans and of loans to people to furnish and equip the houses they bought would doubtless bring increased business in the very area which the war had reduced to a minimum.

One of the most important Acts followed in 1946: the Veterans’ Business and Professional Loans Act, whose purpose was to “encourage the Canadian chartered banks to provide funds at comparatively low rates of interest for appropriate periods to veterans seeking to establish themselves in a business or profession.” The banks would be reimbursed for any losses suffered by default up to 25 per cent of the first $1 million of loans and 15 per cent of any loans above that.

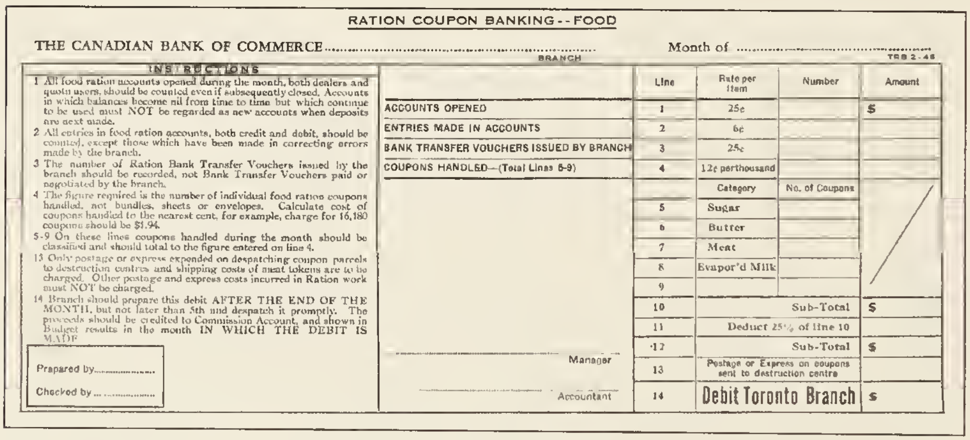
By the end of 1946, therefore, Canada stood ready for a huge leap forward, and the government did one other thing to

make that jump longer and more sustained than it otherwise might have been: it appointed the Hon. C.D. Howe, the man who had almost single-handedly masterminded Canada's war effort, to the position of Minister of reconstruction and supply.

Howe had appointed top businessmen, some of them from the board and senior executive ranks of the Bank, to work with him throughout the war: people like board member H.R. MacMillan, G.R. Cottrelle and James Stewart (both from the Bank staff), Donald Gordon, and E.P. Taylor. These dollar-a-year men were now back in the private sector with easy access to an interventionist government, and aware that Canada was resource-rich in a world so devastated that its appetite for nickel, steel, lumber, concrete, and electrical energy was almost unappeasable.

But the government was still determined to run Canada. Many wartime restrictions remained in place. Rationing of basic foods such as butter, sugar, and meat did not end until the summer of 1947, and the banks were still handling coupons until that time. More importantly, foreign exchange restrictions were kept in place until December 1951.

This control of foreign exchange made it difficult for the Bank to regain its international standing. Nevertheless, deter-



RATION COUPON BANKING--FOOD

THE CANADIAN BANK OF COMMERCE .... BRANCH Month of .... TRB 2-46

INSTRUCTIONS

1 All food ration accounts opened during the month, both dealers and quota users, should be counted even if subsequently closed. Accounts in which balances become nil from time to time but which continue to be used must NOT be regarded as new accounts when deposits are next made.

2 All entries in food ration accounts, both credit and debit, should be counted, except those which have been made in correcting errors made by the branch.

3 The number of Ration Bank Transfer Vouchers issued by the branch should be recorded, not Bank Transfer Vouchers paid or negotiated by the branch.

4 The figure required is the number of individual food ration coupons handled, not bundles, sheets or envelopes. Calculate cost of coupons handled to the nearest cent, for example, charge for 16,180 coupons should be $1.94.

5-9 On these lines coupons handled during the month should be classified and should total to the figure entered on line 4.

13 Only postage or express expended on despatching coupon parcels to destruction centres and shipping costs of meat tokens are to be charged. Other postage and express costs incurred in Ration work must NOT be charged.

14 Branch should prepare this debit AFTER THE END OF THE MONTH, but not later than 5th and despatch it promptly. The proceeds should be credited to Commission Account, and shown in Budget results in the month IN WHICH THE DEBIT IS MADE

Prepared by....................

Checked by....................

	Line	Rate per Item	Number	Amount
ACCOUNTS OPENED	1	25¢		$
ENTRIES MADE IN ACCOUNTS	2	6¢		
BANK TRANSFER VOUCHERS ISSUED BY BRANCH	3	25¢		
COUPONS HANDLED—(Total Lines 5-9)	4	12¢ per thousand		
		Category	No. of Coupons	
	5	Sugar		
	6	Butter		
	7	Meat		
	8	Evapor'd Milk		
	9			
	10	Sub-Total		$
	11	Deduct 25% of line 10		
	12	Sub-Total		$
Manager	13	Postage or Express on coupons sent to destruction centre		
Accountant	14	Debit Toronto Branch		$

FOOD CURRENCY

mined efforts to open up trading channels were made and an embryo research and statistical section was created at Head Office which put together a publication called *Foreign Trade News*. It contained updated import and export news as well as articles of interest to those Bank customers who were active in commodity trade of all kinds. Its initial printing, for distribution to selected branches and customers, was 100 copies. Within five years, its regular circulation was over 1,500.

The most popular lifting of a wartime measure occurred, appropriately enough, in December 1946 when the Wartime Salaries Order, and the Wartime Wages Control Order, were both rescinded. The result for employees of the Bank was, in the first instance, not only the regular Christmas bonus of three per cent, but a special bonus of an additional five per cent in January of 1947. More lastingly, it meant a new look at all salaries which, as returning service personnel had found, were not initially at scales which could cope with inflation.

By December 1946 the general manager, Stanley Wedd, reported to the Annual Meeting "a satisfactory growth in the business of the Bank," and pointed out that "the number of individual customers, both borrowers and depositors, is continuing to show a substantial increase and now aggregates over 1,500,000." The volume of business had also increased: current loans were up by $50 million in Canada and total assets at well over $1.4 billion. In such robust health, the Bank transferred back to the Reserve Fund the $10 million it had "borrowed" for contingencies during the Depression in 1933. An even more obvious indication of the Bank's financial strength was the raising of the dividend from six per cent to eight per cent. But perhaps the most significant figure on the balance sheet was that which showed the number of branches: at 525, the figure was the first such to show an increase from the previous year in over a decade.

Expansion was clearly on the way, but a shortage of materials plus an enormous demand for what was in short supply meant that setting up new premises was undertaken very slowly at first.

Occasionally a new branch or a new building had to be put up, and as quickly as possible. The Hardisty, Alberta branch was the most surprising example. After its destruction by fire in 1946, there was immediate action to rebuild. Unfortunately cement was in terribly short supply in the West. The 150 bags needed for the new foundation were fruitlessly sought in Calgary, then Winnipeg and, finally, Vancouver. An appeal was made to Head Office and the Premises Department managed to find the 150 bags in Toronto. Since the the builders were waiting to pour the foundations, the consignment was sent express at an assumed rate of 10 cents per 10 pounds. Alas, the eyes had flickered in checking the rates and the consignment came in at 10 cents per pound.

Says a contemporary account of the matter: "Though explanations within the department were called for, the whole incident was written off to experience. But Hardisty, for the size of its building, had the most expensive footings in the country."

The whole job of modernizing, redecorating, and expanding existing buildings came under the Premises Department, presided over by Mr. A.D. Golden. It was a big job, since most of the Bank's branches had not been maintained properly during the war, owing to the national emergency, or, for that matter, before the war because of the Depression.

There was also the question of new branches, and more particularly, of new technology in the provision of which the Chief Inspector's Department was the administrative authority.

The most obvious and far-reaching (literally) of the new technologies was the linking of major branches in a teletype system. Prior to 1946, direct daily links with Toronto, New York, and Montreal were by wire, the messages being transmitted in Morse code.

By 1946, people capable of sending messages in Morse were extremely rare. Even the army had abandoned it for radio and teletype during the war. So, in March 1946, a contract was signed to link the Foreign Department and the New York Agency which could send messages through pay-as-you-go facilities on to San

Francisco and Los Angeles. The Morse circuit was retained, though restricted to trading messages, until it was evident within a few months that the improved system was practical and had come to stay. The initial installation was so successful, in fact, that it was decided to establish a similar connection between the Foreign Department and branches in the West; a service commencing the same summer connected it with Winnipeg, Calgary, Edmonton, Vancouver, and Victoria, and also allowed these cities to communicate with one another. (Regina, Saskatoon, and Seattle were joined during the early 1950s.) Since the Bank did not at first have enough business to keep the line continuously in use and since it was a fairly expensive system to lease, an arrangement was made with A.E. Ames & Company to share it on a predetermined basis. Before long, however, the volume of business had increased to the point where the Bank leased its own circuit. Owing to the different time zones, of course, messages despatched to Head Office from the West after the 5 p.m. deadline in Toronto had to await the arrival of the operator the next morning, the sheets in roll form having automatically fed themselves into a convenient tray. The Morse line to New York having by now become redundant, the similar circuit to Montreal was also soon replaced by teletype. At that time an additional link was established with the Ottawa branch and, in the next few years, with Hamilton, London, Chatham and Windsor.

Other labour-saving developments were also necessitated by the great increase of business.

In November 1945, the Bank installed its first "proof" machine in the London, Ontario branch. Previously these machines had been in position only in Toronto and other central clearing branches. With the increase in customers, especially individual retail customers, it was also becoming evident that the old pen-and-ink ledger system (shades of Charles Dickens) could not cope. Mr. F.S. Oliver and Mr. Morgan Iler from the Chief Inspector's Department were put in charge of an overall modernization. They began to install ledger-posting machines in all major branches as they became available.

The reaction to this mechanization was universally popular, as seen in the answers to questionnaires sent to branches. Said one manager:

"Mechanical equipment, together with deferred posting, etc., has been conducive to more economical and efficient operations and not the least important of the benefits is the equalisation of the work-load. Thus, the irregular hours, which were always one of the disadvantages of banking, have largely been evened out."

But the manager at the Oxford & Richmond branch in London was not alone in saying that, though the ledger machines were essential, "the current and savings posts were the best teaching posts for boys and junior clerks, and that it would be a good idea to retain a few hand-posted branches for training purposes."

Among other such comments was one that was very nostalgic:

"I well recall...on inspections seeing junior members of the staff sitting around after closing seemingly doing nothing, and when asked why they were being inactive being told: 'We are waiting for an adding machine'. All they had to add was probably five or ten items. Shades of my earlier days in the bank when everything was done mentally and we could add long columns of figures as a matter of course. I suppose it is one of the prices paid for progress."

Nevertheless, Messrs. Oliver and Iler persisted and, out of their activities came, in due course, the Methods and Organization Department — a department often more welcomed by juniors in the branches than their managers. As one then junior was later to recall:

"In two personal experiences as a branch accountant, the biggest obstacle to the switch from hand-posted ledgers to machine-posted cards was the manager's reluctance to adopt any radical departures from the old tried and true systems with which he was familiar. This was also true in the use of new-style teller's cages, pastel colours in decorating and the hanging of pictures and drapes in modernising branches."

Ledger Posting and
Proof Machine

Ledger Posting Machine

Tabulator for Branch Clearings

The Odhner Calculator

THE BEGINNING OF AUTOMATION

And there were some customers who resented these changes — changes which were the very first movement to our present totally electronic systems. For them, their passbook was an indication of their status. The new statement was only a piece of vagabond paper.

The opening of new branches rather than the renovation of old ones was, as noted above, in the administrative hands of the Chief Inspector's Department. An officer was to be delegated to devote himself exclusively to the matter of future expansion. This was Mr. J.C. Lofquist, in 1946 an assistant inspector. He found, as he travelled throughout the country, that many sites which had been held for expansion during the Depression had been sold when prices rose. The Bank thus found itself as a customer for sites at the new prices. His immediate reaction was to jib at the cost. But re-entry — or initial entry — had to be made. In any case, if it were made at 1947 prices, it would be much less costly then than later.

A national survey was carried out and this late 1940s activity of Mr. Lofquist and his colleague, Mr. P.A. Rellis, was in fact the solid base for the subsequent well-considered and researched program of branch development which really got underway by 1949 when major shortages had disappeared.

All except one: electric power. The pace of building and the adoption of new technologies so drained Ontario Hydro's capacity that in the fall of 1948 there was a severe shortage of power. Whole areas of towns were without current for specified hours of the day — usually at what would normally be peak times. What was an inconvenience to the householder was, of course, a major interruption for industry and commerce. The result was that Head Office was besieged with requests in the new, burgeoning, baby-boom days to buy Coleman lamps. In Ottawa, for example, in that section of the city where the main branch was located, all lighting was cut off daily from 9 to 10 a.m. and again between 5 and 5:30 p.m. and 5:30 and 6 p.m. on Thursdays and Fridays respectively. During this "black-out," its clearing and mailing departments, located in the basement, were

in total darkness until the branch was authorized to acquire six Coleman lamps. At the Bank's main Toronto branch, the difficulty was overcome by the purchase of 35 Coleman lamps and 11 dry-battery electric lanterns. (Only a year earlier, fluorescent lighting had been installed in its Savings Department on an experimental basis and subsequently, its usefulness having been proved, in its Foreign Exchange Department.) So many difficulties caused by power cuts were encountered in the head-office building that an emergency system, powered by a diesel generator which would function independently in the case of further emergencies, was installed and completed by August 1949.

In retrospect, all this seems very make-do and not at all the planned transition from war to peace that the government had promised and Canadians generally expected. But the task was monumental and the pace at which conversion was achieved was breathtaking. It was also a wonderfully symbolic bridge between the sober, late-pioneer society of pre-war Canada and what was to become the headlong plunge into the relative modernity of the 1960s and 70s.

Through it all, the Bank forged ahead. For its private customers, it took its obligations and opportunities seriously. By the end of March 1948, it had loaned 808 customers over $1.4 million under the Veterans' Business and Professional Loans Act — almost a quarter of a million dollars more than the Bank of Montreal and half a million dollars more than the Royal Bank.

Not every manager liked the Act. A survey showed that some thought the amount available ($3,000) too low to achieve anything. One North Winnipeg officer even went so far as to say that "any Veteran's Business Professional Loan I have encountered in the branch, on the road or in the regional office Credit Room has been highly unsatisfactory."

Another manager, responding to the same survey, gave a touching story:

"My most notable case was of a totally blind veteran. The only occupation that he knew before the war was in the service station business. Can you think of a more unsuitable venture for

a blind man to start in a new location? Commonsense said it would only hurt him more than he has already been hurt, but the Kiwanis Club, the Veterans' Loan authorities and the Canadian Bank of Commerce shut one eye to reality and thus got him his first filling station. In the meantime his white stick had explored every foot of the property and his wife and young family were trained to see the venture through his vacant eyes. Either curiosity or genuine admiration filled his station and recent reports of success indicate you don't *have* to see."

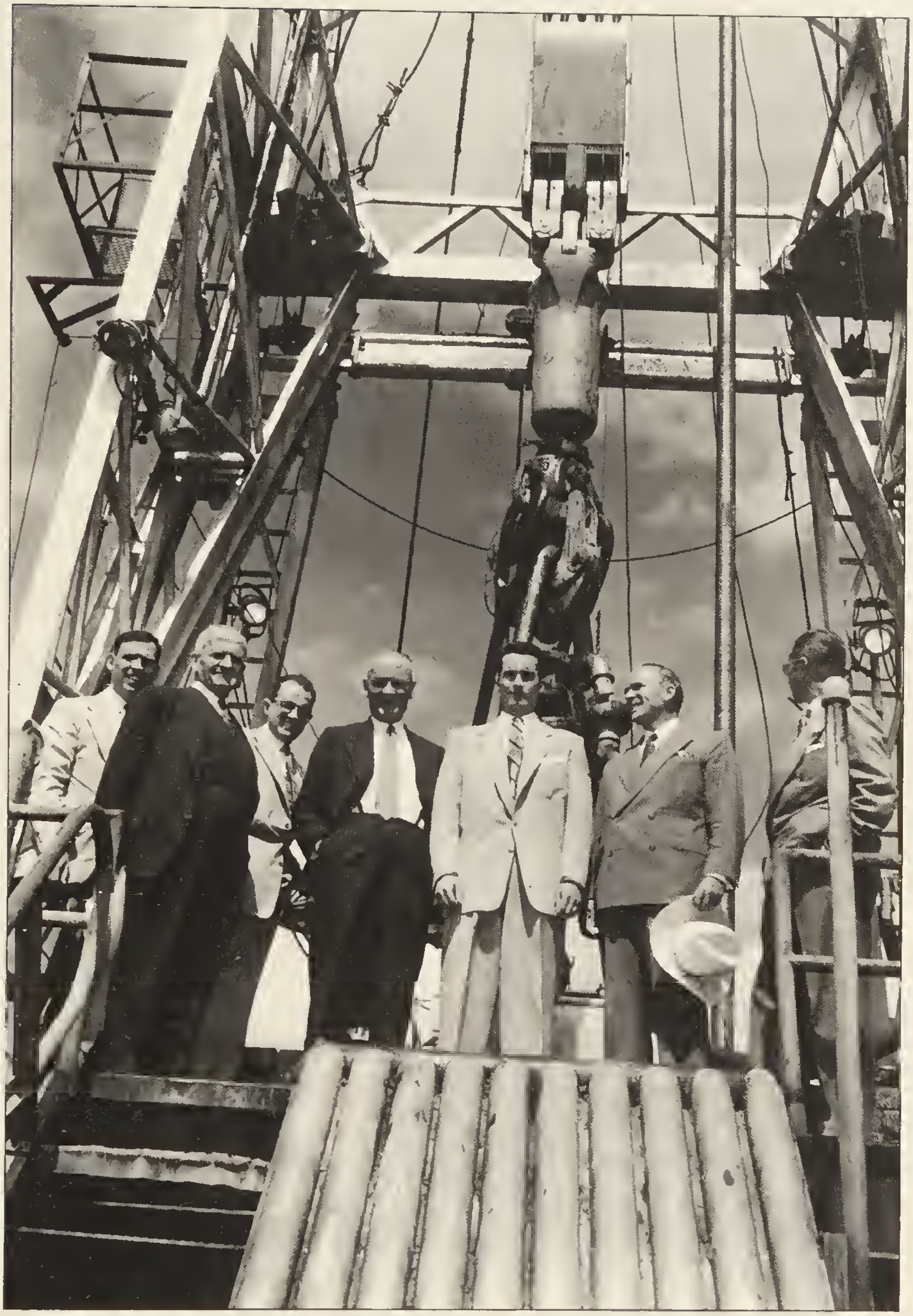
That kind of humanity must have been more widespread than the man from North Winnipeg would have us believe. In any case, a review of the business done under the Veterans' Loan Act in 1958 reported that 6,544 loans had been made since the Act came into force, amounting to $12,612,005.95. Of that, by March 1958, $11,934,159.15 had been repaid and of the balance, $244,577.85 had been paid by the government under its guarantee.

The other loan scheme for individuals — the Farm Improvement Loans Act of 1944 — was equally well supported by the Bank. A head-office circular of April 6, 1948, said:

"It is gratifying to note from a report of the operations under the Farm Improvement Loans Act just released that out of a total of $31,423,129... made by the banks up to December 31st, 1947, our branches loaned $7,888,712 — over 25 percent. This is a very creditable showing indeed [a little below the Royal Bank and well above the Bank of Montreal] and we desire to congratulate those officers who took part in keeping the proportion of these loans made by the Bank well over our target."

There was an interesting footnote to this circular. "In certain districts special attention is being given to loans for clearing and breaking and, since the Act was brought into force, 2,462 loans totalling $910,152 have been made for this purpose. As a result of these loans an estimated 123,860 acres have been brought under cultivation."

For those officers of the Bank who had suffered through the depths of the Depression ten years before, things certainly seemed to have come right again.



HEAD OFFICE IN THE OILFIELDS
Mr. Stewart, Mr. McKinnon Mr. Wadsworth with friends at Bearspaw, No. 22-29

There was ground-breaking going on in other parts of the Bank. The Commerce had always been big in the mining industry: S.H. Logan had been manager of the Cobalt branch in the early roaring days of that region, and Neil McKinnon had been born in Cobalt and joined the Bank there.

In 1948, J. Page R. Wadsworth who would, like Logan and McKinnon, rise to the very top of the Bank, was assistant manager at the Toronto branch and did the research on an application for a loan to Giant Yellowknife — the great gold mine in the Northwest Territories. He was assisted as outside consultant by Dr. W.F. James, a noted geologist who later joined the Bank as a director. (Dr. James' son, also William, equally involved in the resource industry years later as chairman, president and C.E.O. of FalconBridge Ltd., would also join the Bank's board of directors). Giant Yellowknife had proved that the orebody at Great Slave Lake was immense and the refining of it relatively inexpensive. In order to proceed beyond their initial development, they needed a large capital infusion. Never before had money been advanced to a mining company until the mine was in full production. In this case, it was clear that the state of the operation showed the viability of the mine and that a capital loan could quite quickly be paid down from the resulting production. Against the security of the gold in the ground, therefore, the Bank advanced $10 million to Giant Yellowknife. It was a precedent-setting loan and the philosophical basis of the decision was argued, in general terms and at length, by Wadsworth in the *Northern Miner's Annual* of 1949.

That was a propitious time for the article, since it foreshadowed what the Bank would do in the new natural resource area: oil. At the end of 1949, there were almost a thousand producing oil wells in Alberta, following on from the sensational discovery of Leduc No. 1 in 1947, and the Bank had commissioned a report from Mr. George W. Auxier, K.C., the first secretary of the Western Petroleum Association, to see what part in this new resource area the Bank should play. He reported that 12 major U.S. oil companies were operating in Alberta, and that three

U.S. drilling contractors were also active, as well as five geophysical companies.

Mr. Neil McKinnon, then Senior Assistant General Manager, and Mr. H.M. Turner, the Bank's regional superintendent at Calgary, as a result of this report, undertook a three-week tour in November 1948 to visit the Southwestern United States, to make contact with the companies already involved, and to offer them assistance in developing this new great oil field of North America. Within eighteen months, the Bank had formed a special unit in Calgary to service these brand-new opportunities in a province which had seen such rough times in the previous decade. But that story is reserved for the next chapter.

There were other events of great national importance as the '40s drew to a close. The most important for Canada as a nation was the admission of Newfoundland into Confederation through the determined efforts of the Hon. Joey Smallwood who became its first provincial premier. The Bank had been active in the colony and was therefore well-positioned for the new status of the island. But it was a time also to reminisce about those earlier days, especially about the Belleoram branch. Established in 1919, the branch was originally a schooner, the *Kohinoor*, which sailed around to the outports. Its manager, who had joined the Bank in 1911 at Windsor, Nova Scotia, had been a first officer on the windjammers and had four times rounded Cape Horn on the way from England to Australia. By the time Newfoundland joined Confederation, that same man, Mr. E. Holmes, was manager of the Bank's main branch in Toronto. What must he have thought, looking back on his experiences in the scattered islands of Newfoundland, as he welcomed them to Canada?

When he had visited the outports on the *Kohinoor*, he often had a minister or priest on board visiting their parishes to establish the *bona fides* of the Bank in this unusual form. It was necessary to do so because frequently the money accepted on deposit was in gold coin, gold taken many years earlier by a father or grandfather in exchange for ice or bait from an American fishing boat. On one occasion in the '20s it was claimed the *Kohinoor*

had returned with no less than $30,000 in gold.

Another old banking tradition — also of national importance — came to an end as the 1950s dawned. No longer would the chartered banks be permitted to have their own banknotes in circulation.

Their issuance had, in fact, been gradually and substantially diminished since the establishment of the Bank of Canada in 1935. In 1929, the Bank had over $35 million of its notes in circulation. By 1949, this had been reduced to $3 million. In 1950, the Bank's notes were circulating only in the West Indies.

But, in accordance with the Bank Act, the banks collectively had to pay — within 30 days after January 1, 1950 — some $13 million to the Bank of Canada which from that date on became the redemption agent for all notes in circulation. So ended a privilege in existence since before Confederation: the mechanism by which Canada had transformed itself from a pioneer settlement to an industrial nation.

For banks, however, the most significant event of 1950 came at the close of business on Friday, September 29, when each branch of every chartered bank in Canada was informed by telegram that, effective 8 p.m. that evening, the authority of all authorized dealers and agents (i.e. the banks) to enter into any exchange transactions was suspended and that no purchases or sales of exchange should be made until further notice from the Foreign Exchange Control Board. The effect of this telegram was drastic, to say the least. It cancelled the Foreign Department rate bulletin in the hands of all the Bank's branches, so that on Saturday, which for the banks was still then a business day, no foreign exchange transactions of any kind could be handled for their customers. Simultaneously with the despatch of this message, the head office of each chartered bank was called by telephone from Ottawa instructing it to have a representative in that city first thing the next morning.

It was surmised, of course, that the fixed rates were going to be removed, that the country would return to a "free" dollar, whose rates would fluctuate with supply and demand, and that

the banks would once again find themselves in a competitive exchange market. They would be faced with the tremendous problem of changing their existing systems over the weekend to allow quotations to be given as usual to their customers when transactions in foreign exchange were again permitted. Though there was no indication when this might be, it seemed unlikely that business could be suspended beyond this period so that any changes would have to be made by Monday, October 2. Nevertheless, further details were slow in being made known and not until late on Saturday afternoon was each bank's representative allowed to telephone his head office from Ottawa. The key personnel of the Bank's Foreign Department were waiting for the call, ready for instant action. This involved the setting-up of a trading table, the re-arrangement of desks, and the installation of extra telephone facilities to permit the department to cope with the hundreds of calls anticipated on Monday morning. The preparations continued well into the night and even into Sunday.

In the meantime, another telegram had been despatched by the Board to every branch bank in Canada informing them that exchange transactions could be resumed again on October 2 at rates to be advised by their respective head offices. The message also revealed that, though all official rates had been withdrawn, there was still no change in the need for the Board's approval to sell exchange or transfer Canadian dollars, or indeed in any of the general permit requirements. In effect, foreign exchange control was not at an end, though in regard to rates, each bank was on its own. At a time when most experienced foreign exchange traders and other specialists in that field had long since been given other assignments or had perhaps reached pension age, it was not the sort of surprise situation welcomed by the majority of banks. The Canadian Bank of Commerce, however, was more fortunate than its competitors since it still had in its Foreign Department an officer whose pre-war experience in this particular area was unmatched.

This officer, C.K. Highmoor, returning from a vacation in the United States, was still 250 miles from Toronto when he

first learned of the change. The following is his story in his own words:

"On Sunday morning, after breakfast, we resumed our journey and since my wife was driving it gave me an opportunity to look at the newspaper which, at the time, was concerned mainly with baseball as the 'World' series was then in full swing. However, in due course I came to the front section of the somewhat bulky edition and, in a small news item, I read something which, in effect, said 'Canada turns dollar free — trading to be resumed by banks on Monday'. From there on I took the wheel and did not stop driving until we reached Toronto. When I reached the office they already had a 'tie-line' to Montreal as well as to New York and a connection to a hurriedly selected foreign exchange broker who, temporarily, operated from the Toronto office of the Bank of Canada until permanent quarters could be found. In pre-war days there had been two firms specializing in this type of business but since they had long gone out of business a banker named Higginson was loaned by the Imperial Bank of Canada to act as a broker until a replacement could be found. The first man to take over the job on a regular basis was H.K. Burchard who had traded for many years in the Montreal branch of The Canadian Bank of Commerce and was made available to The Canadian Bankers' Association.

"When 9.00 a.m. came on the morning of October 2nd we were besieged with telephone calls from branches as well as customers from far and near since they were still without rates; these could not be determined until a market could be established. No one knew what the market would likely be before the first deal was done and this, of course, had to be arrived at by guessing a figure that was picked, more or less, out of 'thin air'. The first bid was at a rate of 6.5 percent premium and United States funds changed hands at that figure, the Bank of Canada being the seller. Thereafter, for the balance of the day deals took place anywhere between a range of 5.5 percent to 7 percent premium. While, of course, the rate under 'control' had been 10 percent premium for the United States dollar market, operators guessed

correctly that the realistic rate must be at a much lower level - hence 6.5 percent. The first deal having been made, the news was flashed to Montreal and New York and from there on it could best be described as 'bedlam'; telephones never ceased ringing, with everyone trying to talk at once and yet listening to what else was going on for a change in that first rate. The immediate and most pressing problem was to get some rates, at fixed limits, in the hands of the branches and as soon as possible these were wired direct or through central points for those branches more distant. To service 600 branches from coast to coast was no easy matter, although fortunately for some time past we had the use of teletype right through to Victoria and this was of the utmost assistance in keeping key points in touch with events. In a fashion we had our lunch in between calls but at the end of the first day and for many days afterwards the close of business found us in a state of nervous exhaustion with only a rough idea as to our real trading position. However, we managed to survive the first few weeks and gradually a calmer atmosphere prevailed as the market began to settle down; by the end of another month order emerged from out of what seemed like chaos, though we could never forget the transition from 'control' to a 'free' market."

Once the market had settled somewhat, a foreign exchange rate bulletin was mailed nightly from various central points on the teletype network to all branches. Subsequently branches were permitted, in the interests of competition, to fix their own buying and selling rates based on the settling rates provided by the bulletin. The change in the exchange rate devalued the U.S. dollar holdings of the branches, which were therefore required to debit Head Office with the lesser of six per cent of the U.S. notes and silver on hand or of the loss sustained.

The remaining requirements of the Foreign Exchange Control Board remained in force until December 14, 1951, when the Board and all its regulations were finally abolished.

Of course, not all the recorded events of the Bank's history in the post-war years were as important as those mentioned above. Bank robberies did not end. They never end. Where

there are desperate people without money in a place where a bank has money, there will always be robberies. And though a branch hold-up is not national news, its impact locally is strong and, for bank personnel, sometimes tragic. At Ailsa Craig, Ontario in May 1947, the night watchman was shot to death when he discovered the robbers; in August of the same year the manager, Mr. S.S. Petrie, was shot and killed during a robbery at the Broadway & McKenzie branch in Vancouver. The Ailsa Craig gang were never caught, but six years later the murderer in Vancouver, by then No. 2 on the RCMP's list of most-wanted criminals, was arrested, brought to trial, convicted, and sentenced to death. He did not wait for his execution, however; he stabbed himself to death some days before.

Violence was not the only means of extracting money illegally from banks. A circular from Head Office dated May 28, 1946, warned against fraud and forgery, stating that "there has been a serious and disturbing increase in our losses from fraud and forgery of every description during the past year or two," and informing staff that since there were strict rules for procedure which could avoid some of these, in future, "we may have no choice but to ask the officers concerned to assume responsibility for the loss."

Perhaps Lucius Parmalee had learned that such extra efforts were being made for he, who had been a notorious fraud and forgery practitioner in the '30s, suddenly popped up again in Ottawa, but did not attempt to deal with the Canadian Bank of Commerce.

He selected six busy downtown branch banks, and to each he wrote a letter in order to obtain specimen signatures of their managers or accountants; then, with a dozen or so company cheques that he had stolen from his most recent employers, and on the face of which he had placed the imprint of a purported certification stamp of the Bank of Montreal in Waterloo, bearing also the forged initials of the bank official selected as the victim, he proceeded to each bank in turn. A cheque for $4,350 presented at about 11 a.m. on May 1 to the Royal Bank of

Canada was paid without question, as was another, for a similar amount, at the Bank of Toronto. The next stop was the Bank of Montreal where the teller, after looking at the cheque, asked, “Whose signature is this?” Parmalee answered, “The accountant’s — he must have been nervous when he signed it.” She also noticed a trifling irregularity in the endorsement, but Parmalee calmed her fears on this and she paid out the money. About half an hour later, having thought the matter over, the teller consulted the accountant who quickly disclaimed any knowledge of having initialled such a cheque. In the meantime, Parmalee had called at the Dominion Bank where he received another $4,350, to make a total of $17,400 from the four banks.

Taking his time, Parmalee proceeded to a taxi stand where he asked a driver if he would take him to Alexandria to catch a train. The man agreed, and Parmalee had him go first to his hotel to pick up a suitcase. As Parmalee returned to the cab, the driver came out of a lunchroom opposite the hotel carrying a bag of sandwiches. Unknown to Parmalee, he had telephoned his office to say that he was taking a fare to Alexandria — a move that Parmalee, with all his ingenuity, had never anticipated. With the usual spring rains, the road to Alexandria was flooded in many places and at Vars, just a few miles from Ottawa, passage was blocked. Dismissing the taxi, Parmalee decided to wait for the train to Montreal, though it was not due for another hour.

In the meantime, the alarm had been raised in Ottawa, and the police, upon making enquiries from various taxi stands in the vicinity of the victimized banks, soon discovered the intended destination of the wanted man. As soon as Parmalee’s taxi driver returned to Ottawa, he was able to throw further light on the matter and a police cruiser carrying two officers was despatched to Vars — fast. They arrived just before the train to find Parmalee pacing up and down the platform impatiently. After enquiring whether he was a stranger in the area, one of the officers said to Parmalee, “Who are you?” Whereupon Parmalee replied, “I imagine you know who I am.” Offering no

resistance, he was immediately arrested and lodged in the county jail to wait trial; he subsequently received a sentence of 12 years in Kingston Penitentiary.

This, as far as is known, brought an end to his career of crime for, in a newspaper article following his release, he claimed to have settled down as a normal citizen and to have given up his life as possibly Canada's most successful forger.

As the decade closed, the Bank was in a very strong condition. The post-war reintegration of staff had been expeditiously achieved. All restrictions on banks from the war had finally been lifted. The money supply was solely in the hands of the Bank of Canada. Family formation and the baby boom had stimulated consumption of manufactured goods to record levels. The production of these goods, and the building of the houses in which they were placed, had boosted employment in a labour force of record numbers. The resource industries already established were booming and oil and gas were now added to Canada's immense natural resources.

The Bank by this time had over 8,000 people in its employ. The old camaraderie of the staff — so notable in *The Caduceus* in the 1930s — was once more felt from coast to coast (including Newfoundland). Perhaps, therefore, as the creative, booming '50s arrived, one of the significant events of the decade for the Bank was the revival of a staff magazine. Called *Current Account*, it set out to fill the gap left by the discontinuance of *The Caduceus* in 1941 — and what a decade, in retrospect, that gap had been.

Chapter VI.

Managing Change

AS THE 1950s dawned, ushering in the second half of the tumultuous 20th century, it looked as though life in Canada might return to normal. The Depression was over — a vague memory for the young new labour force. The war had been fought to victory. The conversion back to peacetime pursuits had been pretty well accomplished. But the fact was that the world had changed beyond recognition. There were now just two enormous superpowers, the U.S.S.R. and the U.S.A., locked in an ideological conflict which produced a real war in Korea. Nationalism chipped away at old empires, the newly emerging countries often achieving their birth only in blood and violence: India and Pakistan, the Congo, Indo-China, Cyprus, and the Middle East.

Wars are profligate consumers of manufactured goods — more so than peaceful expansion. So, between local wars and global expansion, there was an almost insatiable worldwide demand for Canada's natural resources: uranium, newly found in Elliot Lake, Ontario; iron ore, newly brought into production in Quebec and Northwestern Ontario; aluminum, sending a huge investment into the northern end of British Columbia at Kitimat, and copper, newly expanded in the Gaspé. The peaceful expansion also demanded increased production, especially of building materials and lumber.

The infrastructure which these new developments needed also added to the boom: the St. Lawrence Seaway, to bring the iron ore from Quebec's North Shore to the mills of Michigan and Ohio; a new transcontinental pipeline to transport gas from Alberta's just-developed fields to the eastern industrial complex hungry for energy, and to the West Coast; whole new towns cre-

ated from the wilderness at Kitimat, B.C.; Schefferville, Quebec; and Elliot Lake, Ontario. And roads — always the building of new roads into the wilderness, and the re-creation of old roads into new four-lane highways.

The whole character of Canada began to change. A rural agricultural country was being transformed into an urban society. At the beginning of the century, the majority of Canadians lived in rural communities. As the '50s proceeded, one in six Canadians would be living in either Montreal or Toronto, while most Manitobans would be in Winnipeg and almost a third of British Columbia's population in Greater Vancouver.

Change became the theme for every lunchtime speaker at Rotary or Kiwanis and for every convention's keynote speech: "We cannot stop change; we can only try to control it." Which is what all large institutions, whether commercial, ideological, political or industrial, set out to do.

The Bank entrusted its future — that challenging, changing future — to a newly-appointed executive team. Mr. Stanley Wedd, who had become vice-president in 1945, executive vice-president in 1947, and president in 1948, was the new chairman. Mr. James Stewart, rewarded with a CBE for his work in Ottawa during the war, was the new president, and Neil McKinnon, on his assured way to the top, was general manager.

Mr. McKinnon soon made his presence felt, both inside the Bank and outside. In a letter to all branch managers, he outlined the recent history of the Bank, and its present condition.

He had taken over, he said, an institution which had a capital of $30,000,000, though the reserve was about to be increased to $35,000,000; at the fiscal year end, assets totalled a record $1,821,031,000, of which $718,897,000 were loans, and deposits $1,705,836,000. Loans and deposits were also record figures. Assets were over twice the 1929 figure, loans were up by around 40 per cent, and deposits had more than trebled. The relatively small increase in commercial loans had been one of the characteristics of Canadian banking over these years and had led to the chartered banks' buying more government securities,

which had, of course, also increased in number during these years. At the end of 1952, the Canadian Bank of Commerce was represented by 622 branches in Canada and by nine elsewhere — a gross increase of 117 since the low point of 514 at the end of 1945, but still below the total of 801 attained in 1929. Of these branches, 275 (341 in 1929) were in Ontario, 80 (94) in Quebec, 38 (56) in Manitoba, 47 (106) in Saskatchewan, 56 (80) in Alberta, 84 (72) in British Columbia, 38 (37) in the Maritime provinces and Newfoundland, which had become a province of Canada in 1949, four (two) in the Yukon and Northwest Territories, and nine (13) elsewhere. Personnel, however, had increased from somewhere in the region of 6,000 to around 8,000, revealing a process of concentration not only in the Bank's activities, but also in the economic life of Canada, that was bringing greater prosperity to all.

Yet, Mr. McKinnon pointed out, the total assets of the Bank now represented only 18.1 per cent of all the chartered banks' assets, whereas in 1938-40 the figure had been 19.3 per cent. There was also a "disappointing lag" in revenue. He continued:

"I have been searching for the reasons for this showing. The first place to look is in branch representation and while it is true that our percentage of branches dropped from 18.89 percent to 16.23 percent in the past 20 years, some further analysis indicates that this is not the only nor perhaps even the principal reason. For example, one bank whose percentage of branches has declined about as much as ours has increased its share of savings deposits. Another which has maintained its percentage of branches has lost ground proportionately more than we. Moreover, we have opened about 18 percent of all new branches established in the post-war years which in itself should have tended to pull up somewhat our share of savings deposits. Perhaps the trouble lies partly in inadequate publicity and advertising, possibly to some extent in new branch locations or perhaps, and I think this is the real root of it all, we have not been sufficiently savings-deposits conscious. Whatever the reasons may be, one thing is abundantly clear: we cannot hold our place

in the banking system unless we reverse the trend of the past 20 years starting right now. I do not want to pretend that there are any ready answers to this problem. I think they depend on a whole lot of things and many of them are my responsibility to accomplish."

Though there were no "ready answers," Mr. McKinnon said, there were "steps that could be taken."

His first step was to visit every region in Canada and to hold meetings with virtually every manager and senior regional officer. By so doing, he conveyed his personal concern and dedication to the whole Bank network. He also could take the pulse of the organization at its operating level, seeing its problems and opportunities as no other general manager ever had.

After this, he turned his attention to advertising. Among a rapidly-growing population, a good deal of which had resulted from immigration, there was the need to capture a share of a whole new market. Which bank you used was no longer a matter of succession from father to son: many immigrants active in the new economic growth had no father in Canada. As they had sought the best job they could find, they would seek the best bank for their earnings from it.

Here the new general manager could build on initiatives taken a little earlier. With the change in direction of the old statistical research department, advertising had, in 1950, been put into a newly-formed Advertising Department headed by two people brought into the Bank from the advertising community.

They quickly captured the public's attention with a series of ground-breaking projects. Among them was the introduction, at the suggestion of Mr. Wedd, of the first trailer in Canada to provide a mobile banking service; it appeared at the International Ploughing Match held in the fall of 1950 at Alliston, Ontario. It proved very popular and was sent to many other such fairs in the next few years, though it was subsequently used mainly for display and promotional purposes, the Commerce having agreed with other banks not to provide a banking service in certain locations.

CANADA'S FIRST MOBILE BRANCH
Alliston, Ontario, 1950

A more extensive project, supporting a program of newspaper advertising directed at the Canadian farmer, was a series of brochures which soon became known as the "Farm Booklets." In the sphere of bank advertising, perhaps few ventures have been more successful. The first booklet, produced in September 1950, dealt with the topic of farm machinery and was distributed widely through a number of implement manufacturers and dealers. It was soon followed by another, entitled *Keeping the Farm in the Family*. This, covering family business agreements, was given wide circulation by various insurance companies. *Pasture on the Production Line* came next, and with the co-operation of dairies throughout Canada this, too, was soon in great demand; a special edition for distribution in western Canada was prepared at the suggestion of the federal Department of Agriculture. Three new booklets were published each year, though after a dozen or so had been issued, earlier ones for which the demand had lessened were allowed to go out of print. A measure of the success of this series is that within seven years, almost 4.5 million booklets had been distributed.

A subsequent promotional piece that also had an outstanding record was a "safety-first" booklet issued under the title of *Never, Never Be a Dodo*. It was designed primarily to educate children and was, without exception, the greatest individual advertising effort ever made by the Bank up to that point. Over a million copies were distributed within 10 years of its first appearance in June 1956. In that year, it was awarded a Certificate of Honourable Mention by the Province of Quebec Safety League, and the Public Interest Award by the National Safety Council of the United States; in 1957, it garnered the Public Safety Award of the Ontario Safety League.

By the early summer of 1953, a stepped-up program of advertising in both newspapers and magazines was already well in hand. Attention was turned to a number of special promotional features: the provision of schoolbook covers was but one of the many projects launched in the fall of that year. It met with a very favourable response: one youngster, in expressing her

DRIVE-IN BANK: JANE & WILSON, TORONTO, 1952
From both sides of the counter

thanks, wrote: “They were not as hard to put on as the others we were using and they last twice as long” — though how the latter point was determined so quickly was a little baffling!

There would, however, be no point in advertising and promoting the Bank unless there were satisfactory facilities available for present and potential customers. In the 1950 Annual Report, the general manager alluded to a “programme of renovations, enlargements and improvements...as well as the building of new premises...reflected in the bank premises account which has increased by one million seven hundred and eighty-seven thousand dollars.”

In 1956, the investment in bank premises increased by double that amount, a total of $3,703,000. At the end of the decade, the 1960 Annual Report showed a total investment in bank premises of $42 million, up from $18.7 million in 1950. The number of branches had increased in that time from 592 to 880, a figure which had not been attained since the amalgamation with the Standard Bank 50 years earlier.

In fact, in the middle ‘50s, an average of two or three new branches opened each month, many of them in the rapidly growing suburbs of the larger cities. Here, banking services were increasingly provided in the shopping plazas that catered to and centralized the commercial requirements of these new areas. Another type of service that evolved in response to the needs of the car-driving suburban society, both industrial and domestic, was the “drive-in” bank. The first such branch had been established by the Bank at Wilson and Jane Streets, Toronto, in February 1952, and it was so successful that others were opened in the following years.

The program of expansion was not, however, only a matter of numbers. Several new or reconstructed buildings, impressive in themselves, were opened between 1955 and 1957. In Calgary, to celebrate the golden jubilee of the province, the Bank opened a new seven-storey building that contained its main branch and regional office. Completed after two years’ work, at a cost of nearly $2,000,000, it was recognized as the most outstanding

banking structure in the city. The formal ceremonies took place in August 1955, with the Hon. J.J. Bowlen, Lieutenant-Governor of Alberta, performing the official honours and Mr. D.H. Mackay participating in his capacity as mayor of Calgary.

The next January brought the opening also of the completely renovated and rebuilt Vancouver main branch and the main office in the city of Hamilton. In both places and at Calgary, the construction had presented considerable difficulties, with great ingenuity required in dealing with them, since a normal banking service had to be continuously provided while the work was in progress.

At Vancouver, for example, work had begun four years before to construct a basement and sub-basement on the site of the demolished Strand Hotel. Plans for the new building were approved shortly afterward, and construction went on continuously from April 1953 to January 1956. There was no space in the neighbourhood of Hastings and Granville to which this busy branch could be moved, so all services had to be maintained throughout the rebuilding. The plans called for an enlarged banking hall which would appear from the inside to be in one building while the exterior would, of course, obviously be two buildings: the existing branch building and the new one replacing the hotel. Temporary partitions, screens, ceilings, passageways, and a maze of tunnels were built, and the various sections of the branch were moved from one location to another. It was described as "resembling a game of chess with the contractors." Fortunately, no one was checkmated, for the contractors co-ordinated their work magnificently. And the completed banking hall had a spaciousness and charm that drew favourable comments among the 6,000 people who attended its opening by the lieutenant-governor.

Another new branch that inspired much favourable comment was in London, England. With the return of the United Kingdom to something like normalcy, thought had been given by the Bank to the establishment of an additional branch there which would be conveniently situated in the West End for its

THE NEW CALGARY
MAIN BRANCH, 1955

COWGIRL GUARD OF HONOUR
Inspected by Mr. Stewart, Mr.
McKinnon and Mr. Harris

customers and others who might be visiting that country. In the centre of what had become known as "Little Canada," where the offices of the Aluminum Company of Canada, Massey-Ferguson Ltd., Weston's, and other companies were located, as well as those of the Canadian immigration authorities and Alberta House, suitable premises were secured and a branch opened on February 7, 1957. This well-appointed office at 48 Berkeley Square, with large photographs on its walls depicting typical Canadian scenes and a 20-foot-high picture window at the back, became quickly established as a focal point for visitors from Canada whether there for business or pleasure.

To build a new facility in England or a remote station in the Canadian Arctic was nothing new for the Bank. If London or Aklavik needed banking facilities, the Commerce was ready to provide them.

Aklavik, a trading post founded in 1912, was becoming a large centre of federal administration and services in the north. Situated 120 miles inside the Arctic Circle and 60 miles from the mouth of the Mackenzie River, the settlement was built on muskeg over permafrost, the level of which was falling every year. The town therefore had to be moved 33 miles to the east to firmer ground, and it was at this site, later called Inuvik, that the branch was established on February 24, 1958 — the first Canadian branch office above the Arctic Circle.

The opening of branches in remote but newly important centres in the Far North had a competitive flavour. The Bank had won at Fort Smith, but lost to a rival institution at Frobisher Bay. For that reason, the preparations for the branch at Inuvik had proceeded with the utmost secrecy. Mr. K.L. Cutts of the Alberta regional office and Mr. C.A. Novakowsky, who was to remain at Inuvik, flew in by chartered Cessna and were open for business within an hour:

"Cutts and Novakowsky brought with them in the plane some currency, stationery and a Bank sign made of canvas and upon their arrival they enquired about a cabin being available and moved in. A few minutes later the sign was up on the build-

ing and the branch open for business, although much remained to be done. It must be remembered that many of the 60 or so residents of the community — most of them Eskimos — had never seen a bank before and were completely ignorant of banking and the facilities offered. There was no furniture until counters and a teller's cage were made on the site by a local carpenter. The "512" [16 by 32 foot] bunkhouse had to serve as a home for the personnel as well as for the business of the branch, so they hung a couple of blankets about midway across the inside of the building and borrowed a couple of beds from the camp people. Heating was by means of a spaceheater and many times they would wake up in the morning and find that the stove had run out of fuel or had given up for some reason. (The weather was a rigorous 40 or 50 below.) There were no facilities whatever in the cabin so that its occupants had to use the government washroom across the street which was fortunately well equipped."

Said a contemporary account: "Entertainment and social life was lacking during the long dark days of that first winter. There were no cafes or movies and community hall as we have now, although part of a warehouse was to be made available by the government later for a recreation hall where basketball was introduced. The situation was different during the summer with daylight for 24 hours of each day and with softball, boating and hunting there was just too much to do during the two or three months of mild weather. We stayed two and a half years in the "512" bunkhouses, offering all banking facilities except a safety deposit box service, and with the population increasing to close to 2,000 in the peak of the summer months, we were to be kept very busy. In the summer of 1960 the Bank was to put up a magnificent new building and living quarters for its personnel of which any branch would be proud."

Another interesting branch opening in 1958 occurred at Chetwynd in northern British Columbia. The branch there was opened by Premier Bennett at nine in the evening by the light of a flaming gas well! The reason for this rather remarkable event was that the opening of the branch formed part of a

SUCCESS IN VANCOUVER,
1956

TOUGH SLEDDING IN
AKLAVIK, 1958

much larger ceremony — the inauguration of the revitalized Pacific Great Eastern Railway. This railway, begun before the First World War, had come into the hands of the British Columbia government through the usual Canadian railway tale of guaranteed bonds and bankrupt builders. The line ran between Squamish and Williams Lake, two communities then of little apparent importance; not without reason was it claimed by the public that "it started nowhere and ended nowhere." However, after 1949, the government extended its southern terminus to Vancouver and its northern one to Fort St. John, thus tapping the developing oil, gas, and farming country round Dawson Creek. The new system, with heavier track, better grades, modern rolling stock and locomotives, its own microwave telephone and teletype system, cost almost $100 million. Representatives of the Bank were invited to travel on the first of three inaugural trains from Vancouver to the Peace River country — and the bank at Chetwynd was opened as part of this triumphal tribute to progress.

Another branch — a moving one — was that which serviced the new Trans-Mountain Pipe Line. This line, to carry oil from Alberta to British Columbia, was a vast enterprise, something like the wartime Alaska Highway or the 19th century C.P.R. The route lay through the Jasper National park, then southward to Valemount, through the North Thompson Valley to Kamloops, thence to Merritt, over the steep and hazardous slopes of the Coquihalla Pass to Hope, and so to the coast. From February 1952, when the right-of-way clearing started, to October 17, 1953, when oil started to flow through to the tank farm at Burnaby, the Bank had handled all the financial details, which included 38,000 cheques and $12 million in loans.

The crowning event of this 1950s expansion came, however, in 1958 in Montreal. There the Bank had joined with Mr. R. Howard Webster and the firm of Maxwell Cummings and Sons to form a company known as the Dorchester Commerce Realty Ltd. Its purpose was to erect a multi-storey office building at the corner of Dorchester and Windsor streets. To be called the

Canadian Bank of Commerce Building, its ground floor and three others would be leased by the Bank. It was to be a skyscraper of over 600 feet and 43 floors, based on 44 steel and concrete columns reaching to bedrock 95 feet below street level. The structure's elevator shaft, with three banks of elevators and five elevators in each, located in the centre of the tower, functioned as a core supporting, with the outer columns, the series of bays comprising each floor. The outer skin of the building, composed of 105,000 square feet of window glass, would eventually have the tallest curtain walls of precast concrete in the world. The concrete was to be faced with inch-thick slabs of silver-green slate from the 300-year-old Broughton Moor quarries in Lancashire, England. Although the building would not be ready for occupancy until 1962, the financial centre of Montreal was already in the process of moving from its traditional location on St. James Street, where it had been established for more than a century. With this noble structure, the Bank played a major part in the spectacular redevelopment of the heart of what was then Canada's largest city.

All these new branches, representing as they did the growth in population, also meant a quantum leap in the number of people who now dealt with banks. The old stereotype of teller's grilles, marble floors, hushed tones, and magisterially remote managers was gradually being whittled away. The new branches were light and airy, unpretentious for the most part, featuring pastel colours and beige in the more elaborate buildings. Stephen Leacock's *My Banking Career*, one of the great comic stories in Canadian literature, was being undermined. (Leacock actually wrote a book for one of the chartered banks.) But as the people with money flocked in, and people with loans were sent out, the amount of work for the Bank staff had to be better organized.

The work begun on mechanization by Mr. Iler in the Methods and Organization Section now proceeded even more rapidly in a newly-founded department of the Bank: the Development and Organization Department. "A rather cumber-

some title, the general manager, Mr. McKinnon, said in announcing its formation in the late spring of 1953, "but I expect it to live up to the initial letters of its name and become the DO department."

Electronic punch cards were installed everywhere. They even took over the records of the Stock Transfer Department. Night depositories were tried out on an experimental basis in 20 branches in 1955. By 1961, nearly 500 branches were so equipped, their use becoming necessary when a change to the Bills of Exchange Act allowed banks to remain closed on Saturdays.

There was also a most promising development that would ease the burden of coping with the rising number of cheques flowing through the system: Magnetic Ink Character Recognition (MICR). Morgan Iler was researching this in the United States. Basically, it was the addition of iron oxide to the printing on the cheque — an addition that would make it possible for a mechanical scanner to "read" the information and thus sort and proof what was still being done by hand. But it had a little way to go before it would appear in Canada.

The computer was also on the near horizon and its revolutionary effect was foreseen by an early chronicler of the Bank, Mr. C.F.E. Carpenter, who wrote in 1967, "It was now possible to imagine not only a branch bank without the traditional ledgers… but also the computerised operation of an entire bank with many branches or even — and here the mind boggles — the computerisation of all financial transactions throughout a country, a continent, or the world."

But for all the new windowboxes and pastel colours, for all the new automated methods of posting and proofing, some things still remained the same for Bank staff.

Robberies, for instance. Bank robbers did not go out of style after the roaring '20s. In fact, the activities of the Boyd gang in the Toronto area in 1951-52 made it as notorious as ever Bonnie and Clyde had been in the southern United States 30 years before. The Commerce branches at Pickering, Colborne, and Bradford were all attacked by the gang.

Edwin Alonzo Boyd was the son of a Toronto policeman who had retired on pension in the 1940s. On the first day of the Second World War, Boyd had enlisted in the Canadian Army in Toronto and was trained as a commando, serving overseas for five years; while there he transferred to the provost corps and gained the rank of sergeant. He was married in the United Kingdom and after the war, brought his wife and three children to Toronto where he worked at numerous jobs, including spells as a pastry cook, a window washer, and a T.T.C. motorman, before taking up his three-year career of crime. His various hold-ups netted him an estimated total of $115,000, of which only $36,000 was recovered.

Boyd's specialty was to disguise his features with cotton batting and cosmetics. However, his downfall came on October 16, 1951, following the hold-up of a bank at Yonge and Lawrence when over $12,000 was taken; in this particular job he was aided by an accomplice employed at the time in the Toronto Works Department. This was the seventh of Boyd's robberies, four of them done single-handedly and three with help. Boyd was arrested by two detectives on Bayview Avenue near Elgin Mills sideroad about an hour after the robbery, while driving a panel truck with a ladder rack and other gear that suggested he was a law-abiding window cleaner. But it was the same vehicle he had used to escape from four other banks he had robbed. However, while awaiting trial, Boyd, with gang member Leonard Jackson as well as the latter's accomplice, William Jackson, escaped from the Don Jail by cutting through the bars in the windows of their cells, replacing them with scraps of cardboard and other material and concealing the breaks with soap and dirt.

Boyd was at large all winter, but was recaptured in March 1952. In the meantime, the gang's Steve Suchan and Leonard Jackson were involved in a shooting fracas, in which Detective-Sergeant Edmund Tong was killed; both were subsequently also arrested, Jackson for the second time. All three escaped again on September 8, 1952 from the Don Jail. Fortunately, eight days later they were cornered in a deserted barn in Markham

Township and captured without any further loss of life. Suchan and Leonard Jackson were executed for the wanton shooting of Tong, and on October 17, Boyd was transferred from the Don Jail to Kingston Penitentiary to begin a life sentence.

The violence of nature, as well as criminal violence, also brought difficulties. A tornado in Sarnia wrecked the centre of the town. Hurricane Hazel hit Toronto. There was a gas explosion in Dunnville. Even if the Bank's premises were not hit, their customers' businesses and houses were. And the great natural tragedy of the '50s was the series of disasters at Springhill, Nova Scotia.

The first underground explosion there, on November 1, 1956, killed 39 miners and led to the closing of No. 4 mine of the Cumberland Railway & Coal Company, a subsidiary of Dosco, putting many miners out of work. A year later, a fire consumed the main street of Springhill and melted the glass in the Bank's windows, allowing sparks to set the floor alight. Only prompt bucket and sand work by the manager and accountant saved the building.

Then, on October 28, 1957 a devastating "bump" in No. 2 mine imprisoned 167 miners, of whom only 93 survived. The closure of this mine meant total disaster for the town. But the plight of the community, the heroic rescue work which saved 93 men whose lives had been given up for lost, touched the hearts of people across Canada. Within weeks, the Springhill Disaster fund had collected over $2 million to aid the 65 widows, the 147 fatherless children, and the 900 miners thrown out of work. The Bank's branch manager, Mr. James Pike, was asked by the provincial government to assume the role of Honorary Treasurer. All donations flowed to the branch, which became the main depository, and at one time it had over 20,000 letters, containing cheques and cash, stacked in its vault. No small task for the staff of a very small branch.

The staff coped, however; the staff of the Bank always coped. But disaster, violence, automation, a new type of customer, immigrant difficulties and a changing role for banks

when the Bank Act was revised in 1954, all meant that a new kind of staff training must be instituted. Back to the old theme: "We cannot stop change; we have to control it".

The old methods of training and promotion still in operation post-war were no longer adequate. In the '30s and '40s, what with Depression retrenchment and the wartime absence of new permanent bank staff, it had been possible for new people to advance slowly through a long apprenticeship. This consisted of training as ledger-keepers, then tellers, followed perhaps by a term as a discount clerk in a larger office. This was followed by stints as assistant accountant, or accountant, up to the rank of audit officer, assistant inspector or assistant manager, until maximum promotion according to ability was reached. With all the new procedures and the rapid expansion of the Bank's branch system, there was urgent need to train people more quickly and more effectively to fill positions of responsibility and importance emerging almost daily.

Early in 1953, a short course of instruction for newly recruited male officers was introduced in Toronto. Lasting nine business days, it included three evening sessions at various downtown branches under simulated working conditions. The main purpose of this course was to give junior officers on-the-spot instruction in the routine operations of the average office and some idea of the fundamentals of banking. It was an initiative that would give training to many hundreds of the Bank's future accountants and managers and would be developed much further in the next few years, as we shall see.

The need for this on-the-job training had become crystal clear to Mr. McKinnon on his cross-Canada tour to all the branches. But he also realized that the actual administrative structure of the Bank would require fundamental changes — changes he thought could not be pinpointed and effected without outside professional assistance. A series of enquiries led him to a James G. Robinson, at that time connected with Griffin Hagen & Associates in Chicago, but who formerly had worked extensively with Anglo-Iranian in the Middle East, setting up

their organizational structure. Robinson introduced him to George S. Speer, who was connected with the Institute for Psychological Services in the Illinois Institute of Technology in Chicago. Robinson suggested the advantages of psychological testing to identify the talents and abilities of Bank personnel. McKinnon agreed, as he was greatly concerned with the selection and development of officers to assume the senior executive positions that were fast opening up at the Bank.

To test the procedure, a group of eight officers went to Chicago for a four-day management course under Speer, ending with a fairly extensive psychological test. This group of officers, from varied levels in the Bank, ran from J. Page R. Wadsworth, assistant general manager in charge of personnel, to the level of senior branch accountant, or middle management in a Head-Office department.

A study of the results led to the appointment of Dr. Gordon A. Barrows as chief psychologist within a newly-created Personnel Evaluation Section. By March 1955, he had interviewed and classified by approved standards the capacity to manage of 2,500 officers, taking into consideration their personality, native intelligence, faculty for critical analysis, and their ability to absorb new skills and knowledge.

Another result of the Chicago study was the formation of a small group to work with Robinson in first studying some modern concepts of management — in particular, the difference between staff and line positions and the respective responsibilities of each. There had never been such a definition in the Bank.

As this was going forward, during the spring and summer of 1954, senior groups of men were convened at the Guild of All Arts on the outskirts of Toronto for a series of two-week management seminars. The philosophies of management and the new organization of the Bank were presented and discussed to give those participating an opportunity to study the principles and techniques involved. Through these 11 sessions, a wide cross-section of managers became acquainted with the Bank's new line of thought.

At this point, it was decided that the Bank should have a permanent residential staff college — the first such institution ever operated by a Canadian chartered bank. A large and suitable house was purchased at 616 Avenue Road, Toronto, and it opened in 1955 with both administrative and teaching personnel appointed to it. The first principal was Mr. H.D. Aitken who, with 40 years' practical experience in banking, was appointed from the managership of the Kindersley, Saskatchewan branch. During that summer, a series of residential courses, each of four weeks' duration, was held to introduce branch managers to the latest ideas and methods in business development practices, personnel management, public relations, and general banking procedures. Each course was attended by 16 officers, selected from all regions under a quota system. These courses were considered a great success from the outset, not only for the knowledge acquired, but also for the fellowship engendered.

In the early part of the summer of 1957, the Bank introduced at its staff college a new series of what came to be known as "Office Management" courses. The "Office Management" courses were specifically designed for accountants and others at a supervisory level and covered practical matters such as work simplification, customer and personnel relations, as well as the general operation of a branch. For the first time, female officers attended such courses; in the initial group were a number of those holding the rank of assistant accountant. Each course lasted two weeks, and the officers attending were drawn from a wide range of branches across Canada.

By this time, Mr. Aitken was assisted by Mr. T.D. McClellan and Mr. W.F. Locke as full-time lecturers who, as part of their duties, toured Canada holding group meetings for the Bank's personnel at such places as Winnipeg, Edmonton, Calgary, Lethbridge, Nelson, Kamloops, Kelowna, Vancouver, and Victoria. At these meetings, instruction was provided on various aspects of branch management that might be beneficial to younger officers and so generate better service to the public.

THE STAFF COLLEGE LOUNGE

It should come as no surprise, from all this activity, that the Bank was no longer finding recruitment easy. Quite apart from the applicants' sense of the special skills and character needed for the booming, changing bank business, there were plenty of other job opportunities available. Engineers, teachers, planners, architects, skilled support staff (secretaries, punch-card operators), accountants — all were in short supply and every sector was seeking them.

As a result, the decision was taken to see if the United Kingdom might supply them, as they had for other sectors of the labour market. In 1954, one of the bank's officers was assigned to a tour of the United Kingdom, with the express purpose of interviewing likely applicants for positions in banking. Advertisements placed in seven or eight leading newspapers there quickly brought in some 600 replies. Interviews, held in London, Edinburgh, Glasgow, and Belfast over a period of five months, were very thorough.

The end result, however, was the engaging of only 56 people — not a very encouraging outcome for all the time, money, and effort involved. The quality, though, in the long run made up for the quantity. Many of those people later held very responsible positions within the Bank.

With all these changes in the Bank's operations, it became necessary to codify them. (You cannot stop change; only control it.) Outside consultants as well as many headquarters people were set to work under the guidance of Mr. Robinson, the Chicago consultant, to draw up a comprehensive *Branch Management & Operations Manual.* Starting in 1954 and at times involving 22 people at two downtown Toronto locations, the massive task was completed two years later in no less than 15 volumes. The covers alone for the finished work cost $33,000. It became the Bible for branches and governed the local operations of the Bank for years to come.

When Neil McKinnon became president in December 1956, with the promotion of Stanley Wedd to chairman, he also created three general managers: T.L. Avison, for investments;

M.C.C. Ross, for business development, and J. Page R. Wadsworth, for day-to-day operations and credits. This not only brought a new chief executive role to the president, but showed the increasing complexity of the Bank's business, demanding new structures to facilitate it.

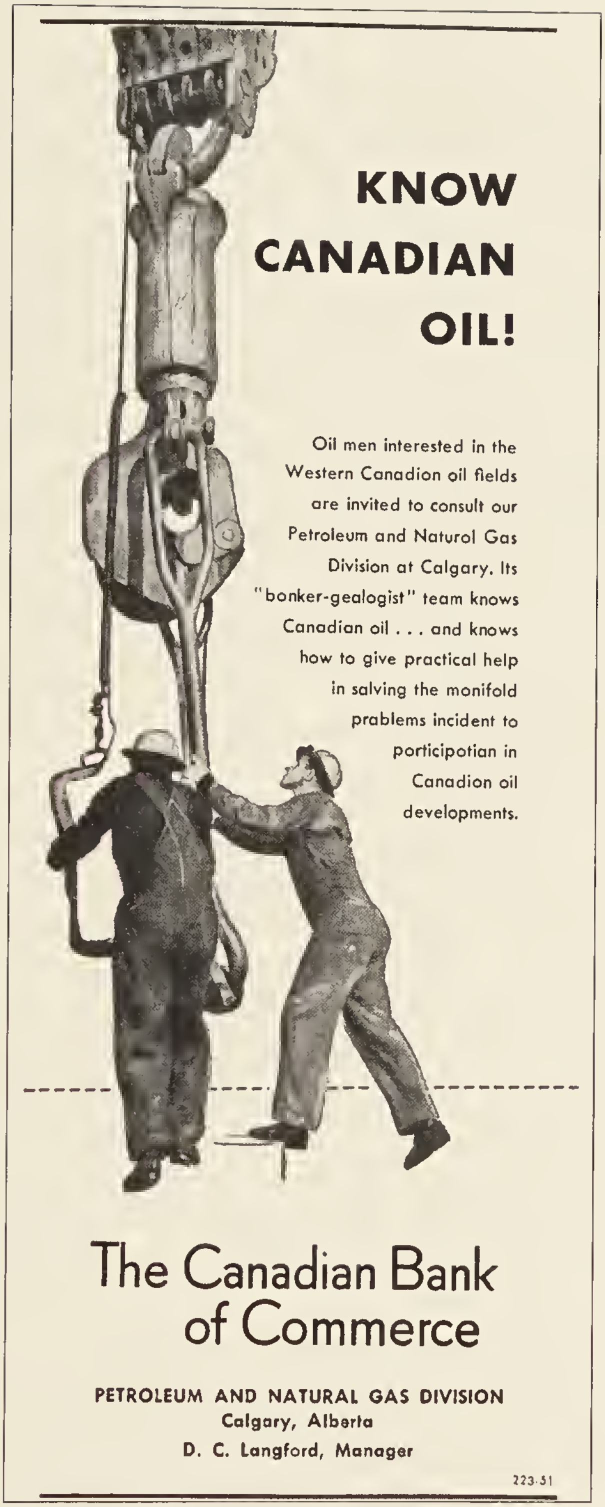
All this activity instigated and nurtured by the Head Office under Mr. McKinnon's energetic leadership was paying off. The net profit in 1952 was $4.5 million; in 1956 it was $7.9 million; in 1958, $11.1 million; in 1960, $12.6 million. Assets in that time increased from $1.8 billion to $3.1 billion and the reserve or rest account from $36 million to $131 million.

The revision of the Bank Act in 1954 had given help to the management's endeavours, sometimes because of sustained work in Ottawa by the Bank's officers. The personal loan side of the business, for example, was given a pleasant push when the Act was changed to allow chattel mortgages to be accepted as security. This was paralleled by a Bank initiative on the business side: the introduction of "day-to-day" loans, available in the cities of Toronto and Montreal to a limited number of investment dealers against Government of Canada securities having a maturity date within three years or less.

The two biggest sources of new business came from changes that impacted on the oil and gas business, and the banks' entry into the mortgage business.

The Bank had been very active in the resource industry for the whole of the century. In the late 1904s, it had pioneered the granting of loans against future production in the mining industry with its $10 million loan to Giant Yellowknife. J. Page R. Wadsworth, who had been very much involved in that at the assistant manager level was now, in 1950, the superintendent of Alberta branches. Under his guidance, a new division was set up: the Petroleum and Natural Gas Division.

The offices of the new division were originally located above the main Calgary branch, but within four years took over the entire former general office of the 8th Avenue West & Centre Street branch. A prominent feature of the office was a large wall



GOING AFTER THE OIL BUSINESS

map showing major areas of geological interest and a series of smaller (6 ft. x 4 ft.) maps showing each area where operations had taken place, with pins indicating every well drilled. Efforts were also made to keep a file on each well and lease, but developments were proceeding at such a pace that this project became too cumbersome to continue, and a clipping service of all published information was set up instead; this proved to be very useful for new companies entering the Western Canada field.

During this period, the Bank often found itself having to deal with applications for loans from companies that had found a producing well and wished to continue their development on borrowed funds. Since the Bank Act of 1944 did not admit hydrocarbons in the ground as security against a loan, it was necessary to find another kind of arrangement. A company issued a debenture to the Bank for the amount borrowed that was secured by a trust deed carrying a charge over the oil or gas in the ground.

In order to assist in assessing the reserves, Dr. John Galloway had been appointed as consultant as far back as the 1940s, but because of the expanding scope of the Bank's business, Dr. John Streeter now joined the Bank staff as its full-time geologist.

Naturally, the closest co-operation with both a trust company and its lawyers was required, and the resulting negotiations could frequently take weeks or months. Accordingly, the practice grew of granting loans, where reserves and income appeared adequate, against an undertaking to provide the security and against an assignment of production proceeds and accounts receivable. In this way, a large and successful lending business was developed in this dynamic new industry.

In 1954, the need for this somewhat cumbersome procedure (nevertheless profitable) was eradicated. The Bank Act now permitted banks to make loans against the security of hydrocarbons in the ground.

Representatives of the Alberta regional office and the Petroleum and Natural Gas Division of the Bank took a promi-

nent part in the preliminary discussions and may rightfully claim some credit for suggesting the form of that section of the Bank Act which, at long last, permitted the proper financing of the petroleum industry. Arrangements had then to be made with the departments of mines and minerals of the four western provinces so that a procedure could be set up whereby the form of assignment authorized by the new section 82 of the Bank Act could be registered against Crown lands. This called for separate negotiations with the departments of each of the provinces concerned, and frequent consultation with other banks and their lawyers.

Through it all, the oil boom proceeded as did the Bank's involvement in it. The first half of the decade was the exciting time, following on from the first great find at Leduc, but the second phase, which demanded large capital resources for the production, refining, and distribution of both gas and oil, especially the politically explosive Trans-Canada pipeline, offered a most satisfactory area of new business — business guaranteed by government in some cases, though the loans were private, and large.

The Bank Act revision also legislated entrance into the mortgage field, which had both an immediate impact on the Bank and a continuing effect far into the future.

From the beginnings of banking in Canada, it had been generally considered that the banks' function was to provide short-term credit, with the obligation to keep their resources liquid. In a young country, lending against real estate seemed to fit neither the function nor the obligation. And traditional wisdom seemed to have been justified, especially by the banking difficulties occasioned by real-estate loans in the United States during the 1930s. In any case, banks already had plenty of scope, and at no time had sought entry into the mortgage business.

By 1953, however, when the family formation of both immigrants and war veterans was booming — their children became known as the "babyboomers" — funds from traditional mortgage suppliers were no longer in adequate supply. The insurance sector had provided the first post-war *tranche* by shifting its funds out of Government of Canada bonds bought

during the war — a shift of over $800 million between 1946 and 1953. That process was now petering out. Mortgages under the National Housing Act — CMHC mortgages — were rising rapidly. The government did not see itself, however, filling the gap between the decreasing insurance funds and its own rising CMHC commitments. As a matter of policy, it therefore turned to the banks. The reasoning behind the policy was succinctly set out by the Hon. R.H. Winters, minister of public works, when he moved the second reading of the enabling legislation:

"It is important to remember that the chartered banks perform in Canada a function with respect to savings that in other countries is performed not only by the banks but also by building societies, mutual savings banks and savings and loans institutions. Because of the dominant position of the chartered banks in the savings field in Canada, and because mortgage lending is prohibited by the Bank Act, the housing sector is denied access to a large part of the funds which in other countries are available to finance home building.

"This situation in Canada is unique. In the United States the commercial banks, the mutual savings banks, and the savings and loan institutions who are the chief holders of the public's savings deposits have been an important factor in the residential field and between them are providing about 60 percent of all new money in mortgage financing. In Australia, the banks are a larger source of mortgage funds than the life insurance companies. In Canada, the life insurance companies provide approximately 80 percent of all institutional mortgage financing.

"It is these circumstances, together with the wide geographical distribution of the branch banks in Canada, that have led us to believe that with proper safeguards it should be made possible for the chartered banks to enter into the new residential mortgage lending field."

There had, however, been no consultation with the banks when a letter from the minister of finance arrived at each headquarters on October 1, 1953.

The letter contained a broad outline of the proposed scheme and invited discussion on certain points. Various meetings were held between representatives of the banks and of the government bodies concerned, and by the end of the year workable and mutually satisfactory arrangements had been agreed upon. Limits were set to the size of a mortgage in relation to the appraised value of a property, appraisals having to be made by the Central Mortgage and Housing Corporation rather than by the banks who had no staff qualified for such work. Limits were also set on the repayment terms that could be offered, on eligibility, and on interest rates (no more than 2.25 per cent over the rate on long-term government bonds). Mortgage loans were to be insured, at the cost of the mortgagor, through the CMHC in order to protect the depositors' funds used by the banks. Among other matters discussed were a proposal that the interest rate should be variable during the term of the mortgage, details of repayment by the government in the event of default by the borrower (the banks objected, though in vain, to their having to take dispossession proceedings before making a claim under the insurance provisions), and the use of mortgages as collateral for the chartered banks' loans from the Bank of Canada. Such loans are, of course, seldom needed and when required, serve to stabilize the bank's liquidity among the natural ups and downs of deposits and loans.

The bill and the regulations permitting the chartered banks to enter the mortgage field were enacted and proclaimed by the end of March 1954, with an interest rate ceiling initially set at 5.5 per cent. It was with some reluctance at first that the banks found themselves in the mortgage business, this being somewhat foreign to their background and outside their experience; and never having anticipated such a move, they were not, of course, equipped to handle this type of business immediately.

Within a very short time, an embryonic department was set up at Head Office and an officer from the Montreal office of the Canada Life Assurance Company was seconded to the Bank in an advisory capacity.

Soon after, because of the nationwide nature of the business and its huge potential, regional offices were established as well, with the head-office department looking after Ontario, providing overall direction and acting as the liaison with the Central Mortgage and Housing Corporation.

For an institution which had had no experience in the mortgage business, the Bank now showed its new adaptive mettle, and the results of all the training sessions, psychological testings, and other initiatives taken to make its officers responsible and open to new challenges.

By the end of October 1954, the Annual Report showed over $5 million had been invested in mortgages. By the end of the calendar year, $25 million was in place. Six years later, in 1960, the amount was $246.5 million.

Chapter VII.

Imperial Bank of Canada

AT THE ANNUAL Meeting of 1960, J. Page R. Wadsworth, by now the general manager in charge of day-to-day operations, was able to report that the Bank had total assets of $3,155,000,000, the largest total in its history. There was an increase in commercial loans of some $33 million, making a total of $1.233 billion, and mortgages now totalled $189 million. But the president, Neil J. McKinnon, was cautious in his address: "During the year," he said, "it became evident that the economy was not as buoyant as many people had anticipated." There had been, in his view, a decline in business activity, but it had been mild. The preceding expansion had not been excessive and so there had been "a gradual re-adjustment in the economy rather than severe retrenchment."

There had been some slowing down in industrial output, consumer expenditures had levelled off, and activity in the construction industry which "during the 1950's...rode high on a building boom" was now "slackening."

Nevertheless, McKinnon was still confident in the future. More factories would soon be needed. The completion of construction on such megaprojects as pipelines, the St. Lawrence Seaway, the huge aluminum smelters in British Columbia, and the servicing of the petrochemical industry would make it easier for "the nation's so-called social capital" to be enhanced "particularly in the form of roads, schools, the control of pollution, slum clearance, the improvement of congested areas in urban centres and the provision of parklands."

He also saw, in the emergence of the European Economic Community and the industrial aggressiveness of Japan and Asia generally, the future formation of huge trading blocs and what

would later be called the globalization of trade.

To remain competitive in such an environment, both at home and abroad, the Bank would need access to much more capital. It would equally have to expand and count on a much larger staff of trained and experienced individuals from the branches upward. An easy way to achieve both objectives would be to acquire or merge with a well-managed bank, smaller than the Commerce but big enough to bring the human and financial resources McKinnon was looking for.

Where was such a bank? Right next door. Built in 1935, five years after the Commerce's skyscraper, the head office of the Imperial Bank occupied the 100-foot-square lot on the south-east corner of King and Bay. A contemporary writing of it said: "Somehow the building seems to emanate a special charm all its own with something that size and grandeur may not imitate. Perhaps modesty herself played a leading part for simplicity predominates and yet the refinements of small detail are all there. The facade is neither coldly severe nor is it ornate; but a soft colour by the use of Ontario's own product, Rama limestone, seems to blend with earth and sky as only old buildings in crowded cities are wont to do." In sum, said this lyrical chronicler, "The new quarters for head office are palatial indeed compared to those left behind, but not in the sense of binding the spirit with the enormity of palace demands. They are designed with comfort as the essential."

The building was modest. So was the Imperial's business, but it had a high reputation and a distinguished history. Founded in 1874, seven years after the Commerce, the Imperial Bank was one of the results of the Act Respecting Banks and Banking which had, under the sponsorship of Sir Francis Hincks, the minister of finance, been passed into law in 1871. Within the next four years, 18 new banks incorporated in the Dominion, the Imperial Bank of Canada being the last.

The original directors were Henry Stark Howland, who was elected president on December 15, 1874, John Fisken, John Cawthra, Robert Carrie, Patrick Hughes, John Smith, and

THE IMPERIAL'S HEAD OFFICE, 1935

William Ramsay. Authorized capital was $1 million, divided into shares of $100 each. Before the bank could open for business, it was required that half that amount must be subscribed and "one hundred thousand dollars thereof actually paid into one of the existing chartered banks of Canada." Messrs. Pellatt and Osler were entrusted as brokers to achieve this. Within three months the capital had been raised, the organization completed, a staff of five enlisted, premises secured at 18 Toronto Street, and the licence obtained to open — which the Imperial did on March 18, 1875.

The spur to much of this activity was Howland. He was from a family which had done well in Ontario after immigrating from New York State. One of his brothers was chairman of the Ontario Bank, and had been formerly a federal minister of revenue, mayor of Toronto, and lieutenant-governor of Ontario. Another brother had been active in the formation of the Dominion Bank. Harry Howland himself had, in fact, been vice-president of the Canadian Bank of Commerce, but had resigned from it in protest against its too rapid (in his view) expansion of capital and branches.

He knew all the leading businessmen in Toronto; he was himself in business in a large way with his family's wholesale hardware firm, and he had good political connections.

The other important member of the original founders was Thomas Merritt, whose father had founded the city of St. Catharines, promoted the first Welland Canal, and brought the Niagara District Bank into being. Merritt was now president of the Niagara District Bank and he brought not only his skills and money to the new Imperial Bank, he brought the Niagara District Bank. By petition to Parliament in December 1874, the Imperial Bank sought to amalgamate with the Niagara District Bank. The newly appointed cashier of the Imperial, in sending a copy of application to Merritt, noted:

"I think we are all united as to the expediency of the amalgamation; there is no doubt that better terms can be made with the Imperial than with any other bank, as the value of your connection is fully known to my board and they appreciate the

decided advantage that will accrue to the Imperial in being able to start with a business already got together for them."

Merritt presumably agreed. So did Parliament, and the merger took place on July 2, 1875, when the Imperial Bank took over assets of $1,239,284, paid-up capital of $361,466, and a surplus of $51,486.

The man who had written to Merritt was Daniel Wilkie. Born in Quebec City, he had for some time been the manager of the Quebec Bank's branch in Toronto after a successful stint in the same position in St. Catharines, where he had not only got to know Merritt, but had married Senator Benson's daughter. When offered the position of "cashier" in the new bank, he leapt at it, "cashier" being what we would now call general manager.

These three had immense influence on the bank. Howland remained as president for 27 years, his tenure ended only by his death in 1902. Merritt, who had served on the board all through those years, himself became president on Howland's death and so remained for the last four years of his life. Wilkie remained cashier for 21 years, became general manager and, for the last eight years of his life, president, not dying until 1914, still in office after 39 years.

Together with the other directors, Howland and Merritt oversaw everything that happened in the bank. They sat jointly to approve their first loan to a prominent citizen, he being George Brown, proprietor of *The Globe.* But they sat in similar judgment on every loan, and all correspondence received at head office was read out to them at their meetings. Such attention — personal attention — to clients soon saw the Imperial on its way with the accounts of Ralph Smith, the city's leading "designers, engravers and lithographers by steam power," the Heintzman Piano Company, the National Club, the newly-formed Granite Club, the *Telegram* newspaper and, through it all, the City of Toronto.

At the end of the first year, the president was able to report that, "preliminary expenses, including amalgamation expenses, have all been liquidated and, after paying these expenses and paying shareholders dividends at the rate of 8 per cent per

DANIEL ROBERT WILKIE
1845-1914

annum, the surplus amounts to $33,944.37." The bank stock was quoted at 104 ½ bid.

Within five years, at a time when other new banks were quietly disappearing, the Imperial equally quietly prospered. Writing to his father-in-law, Senator Benson, in 1876, Wilkie says: "Few banks have passed anything to Rest Account; one large bank has written $800,000 out of reserve. The smaller banks are making all the money". It looked as though Howland had been right. Too many new branches were unprofitable. The Imperial had only eight in five years, but it had taken over the Consolidated Bank with branches in Woodstock and St. Catharines.

For 1883, the Imperial's profit had risen to $300,000, its dividend was eight per cent, and its paid-up capital $1,500,000. Some of this success was due to a far-off development cannily scouted by Messrs. Howland and Merritt.

In 1880, they made a long trip to Winnipeg, capital of the recently created province of Manitoba, whose first lieutenant-governor joined the board of the Imperial in 1885. Winnipeg was in flux. Nearly 11,000 people had moved into a town built for half that number. Developers and construction companies were eager for capital. Correctly assessing the boom as one with a bust built in, the chairman and president nevertheless sanctioned a branch in Winnipeg and one in Brandon. The Imperial held on through prudent management until the boom returned to the Prairies 15 years later, by which time it had branches at Portage la Prairie, as well as Brandon and Calgary, plus Sault Ste Marie, the city which straddled the route east for grain and furs.

As Canada expanded, so did the Imperial Bank.

Up to 1914, when Wilkie died, the number of branches grew to 126, the assets to $78 million. The bank was by this time represented in Edmonton, Prince Albert, Vancouver, and other points west. It had a flourishing relationship with the mining community of Northern Ontario, where the Cobalt branch had been established in 1905. In 1912, Imperial held 5 ¼ per cent of all assets of chartered banks, and was satisfied with its progress.

Speaking at the Annual Meeting in 1913, Wilkie lashed out at the emerging trend of bigness in the banking community, especially at the "readiness of some banks to retire from business and of others to add to their size and importance with mergers and amalgamations, thus building up the influence within the [Canadian Bankers] Association of a very few large banks."

At the time he spoke, 24 banks were still active, but 14 had sold out over the previous 12 years and nine had disappeared, liquidated, mainly because of mismanagement. There was no mismanagement by the three great founders of the Imperial. When the last of the three, Wilkie, died on November 17, 1914, the comparative figures for the century thus far showed that.

COMPARATIVE STATEMENT - IMPERIAL BANK

At April 30	1900	1914
LIABILITIES		
Capital & Reserve	$ 4,158,600	$ 14,000,000
Profit & Loss	80,689	1,265,919
Notes in circulation	1,710,477	4,762,347
Deposits	14,140,885	58,449,510
All other	217,743	385,475
	$ 20,308,394	$ 78,863,251
ASSETS		
Gold, etc.	$ 562,319	$ 1,706,919
Dominion Notes	1,282,177	11,237,087
Other Banks, etc.	2,015,285	11,356,523
Securities	2,476,208	2,440,867
Loans	13,403,033	49,115,177
Bank Premises	375,625	2,200,000
Other Assets	193,747	806,678
Total	$ 20,308,394	$ 78,863,251
Net earnings	$ 365,579	$ 1,236,984
Dividends	9-1/2%	12%
Branches	32	125
Population	3,653,946	8,075,000

Just as the First World War ended an era in Europe, 1914 ended the first era of the Imperial Bank. All the original executives, after long careers, had died. The new president was Peleg Howland, his vice-president, Elias Rogers. Both had been on the board of the bank a long time: Rogers since 1897, Peleg Howland from the first years of the century. Mr. Edward Hay was appointed general manager in Wilkie's place and this triumvirate was at the head of the Imperial for all the war years.

As in other companies, most of the young men went off to war and by the spring of 1917 there were 383 members of the staff on active service and 30 had already been killed in action. There were by then over 300 young women in the bank's employ. When the war ended, some 518 bank employees had served their country and 55 had been killed in action.

Banks had their casualties too. Following the trend outlined by Wilkie in 1913, the Quebec Bank, Canada's oldest bank, sold out to the Royal in 1917. The Bank of British North America was absorbed in 1918 by the Bank of Montreal and, in the same year, the Northern Crown Bank (its head office in Winnipeg) went to the Royal. In 1919, the Bank of Nova Scotia absorbed the Bank of Ottawa.

The Imperial, however, was not looking to buy and certainly not to sell. Said its general manager: "We are growing in a way that gives us much satisfaction but have not, perhaps, the ambition to be great in the sense of being large".

The trend, nevertheless, continued in the banking community. The Bank of Montreal acquired the Merchants Bank of Canada in 1922 and the Molson's Bank in 1925. The Commerce bought the Bank of Hamilton in 1923, the Standard Bank bought the Sterling Bank in 1924, and the Commerce bought the Standard Bank in 1928. The Home Bank failed. Sorting out a peacetime economy was not proving easy.

By 1925 the Imperial's profits were up and its business showed the wisdom of its directors. The assets of all banks in 1925 had increased by 5.4 per cent. Imperial's had increased by 11.1 per cent. Deposits in all banks were up

HEAD OFFICE OF WEYBURN SECURITY BANK

18.6 per cent; Imperial's were up 22 per cent.

The Imperial was set on its course of remaining small, but profitable. It bought out the last really small bank in Canada in 1931 — the Weyburn Security Bank in Saskatchewan, whose deposits on the day of closing the deal amounted to less than $2 million. It built its new headquarters in the very heart of Toronto bankdom at King and Bay. It struggled with the Depression, still in its own corporate style, the general manager reminding the Annual Meeting in 1935 that "the policy of the Bank is to show the utmost leniency to customers who are struggling against adversity, with the aim always of keeping business on its feet, and the farmer on the land." It still maintained a pre-eminent position in the Northern Ontario mining area where it had 25 branches. This was a great buttress against the Depression, in which mines had a better time than some other sectors. This showed in the fact that Imperial's deposits were up 10 per cent in 1938 over 1937, whereas banks generally had an increase of only two per cent.

The Second World War drained manpower from the Imperial as it did from other banks, both at the executive level where Mr. L.K. Johnson of head office became regional food controller, and at the staff level, where some 300 young men enlisted into the armed forces.

By 1950, the Imperial Bank had been in existence for 75 years. Its official historian commented at the time:

"Seventy-five years of ups and downs, but with the upward surge always dominant, have not changed Canadian banking in its fundamental aspects, but have relentlessly weeded out those who came into the field with more relaxed ideas. These fundamentals regard the safety of deposited funds as the first issue, followed by the welfare of the borrowers, shareholders and staff. From these fundamentals, this bank has never wavered."

Through the 1950s, as Canada's economy expanded at unprecedented speed, the Imperial Bank kept pace. They were first on the ground at Terrace Bay, the big new company town for a major pulp and paper facility built by Long lac Pulp and

Paper Company. They were in a shack disbursing money when Schefferville was just a blueprint in the offices of the Iron Ore Company of Canada. They were bankers for Argus Corporation, whose president, E.P. Taylor, was not only creating a new corporate takeover strategy, but also building Don Mills, the first big planned suburban community in Canada. In June 1953, there was a new branch in the far north of Saskatchewan to serve Uranium City.

There was a problem with all this, however. Some of the companies with which Imperial had done business for years were growing to the point where they needed fuller financial services than Imperial could provide. There was still a family feeling among the Imperial's officers, directors, and their large company clients. Business was still done on a trust and handshake basis. But business needed more. That is why J. Page R. Wadsworth and his team at the Commerce spent so much time working out their organization manuals. It is why Neil McKinnon had appointed three general managers at the Bank: one for investments; one for credits; one for administration.

There was another, more urgent consideration. The success of the Imperial had drawn the attention of Barclays Bank in London, England.

Prior to 1939, Barclays had been active in Canada, with several branches. But the restrictions on the movement of external capital and foreign exchange during the war and after had led them to leave Canada. They sold their business to the Imperial, taking part of the buyout in stock, which represented a fairly significant equity position.

Stuart Mackersy, the 70-year-old chairman of the Imperial, noted in 1960 that Barclays, without consulting him, was enlarging its holding by buying stock on the open market. As a small bank, Imperial could be put into play. But if Imperial was going to be taken over — and Barclays behaviour seemed to indicate such an objective — he would sooner merge with a Canadian bank whose people, background, and methods his organization would know and could work with.

BARCLAYS BANK CANADA
Head Office, St. James Street, Montreal in the 1930's

In October 1960, Mackersy asked to meet privately with McKinnon, at McKinnon's home. Secrecy was of the utmost importance. Within ten minutes, according to Mackersy, they had reached "broad agreement" on a merger. Now they had to sell the idea to their respective boards and to inform the minister of finance, the Honourable Donald Fleming, what they were about.

To keep the matter secret, once the boards had severally agreed to "further explore" the possibility of a merger, only two or three executives in each bank were brought into the negotiations, which were conducted almost entirely by McKinnon for the Commerce and John S. Proctor, president of the Imperial.

By December these two, travelling separately, met with Fleming. He was not averse to the idea, provided he could be shown that no small community would suffer by having only one bank after the merger, that no employee would be fired, and no country branches would be closed until one year had elapsed after the merger.

As a contemporary writer in *The Star Weekly* noted:

"Bank mergers can be tricky political tinder. They might always arouse the old western suspicions of the 'banker barons of Bay Street'."

These assurances given, Fleming agreed. On February 3, 1961, he rose in the House of Commons at 11 a.m. and asked the members for permission to make a statement which, since it could "more properly be made after the close of business for the day," he asked to make at 5:45 p.m.

It was dramatic, and the business day across the country was in unusual tension wondering what the minister of finance was up to.

There was a sigh of relief when, in fact, he said that, "after careful consideration I have approved the making of an amalgamation agreement between the Canadian Bank of Commerce and the Imperial Bank of Canada for submission to their shareholders."

Immediately, a flood of press releases, written and prepared in the private residence of the public relations director of the

Commerce, John Norman Harris — one of only six Commerce staff, including McKinnon, who had known anything about the merger — were sent by courier, teletype, and every possible means of communication to all those who had speculated on what Fleming might say.

The Canadian Imperial Bank of Commerce would be big. So big that the announcement of the merger caused a good deal of controversy in the national press. It was perhaps expected that G. Arnold Hart, president of the Bank of Montreal would be opposed. The merger bumped his bank from second to third place in the financial standings. But Professor Edward Neufeld, then working on his definitive book, *The Financial Institutions of Canada*, and teaching money and banking at the University of Toronto, was dispassionately critical.

"I doubt," he said in an interview with the Toronto *Telegram*, "that the merger will increase competition among the bankers. They will have to convince me of that. I would have thought in a growing economy we wouldn't have need of this sort of amalgamation. I'm most surprised that the government permitted it."

Some customers, the press reported, might be miffed enough to take their business elsewhere. After the Toronto-Dominion Bank merger in 1955, deposits had lagged behind the industry average for two years.

But the market loved it. The Monday after the announcement, Imperial's shares went up four points, Commerce's three. In April, the amalgamation was put to the shareholders. The Commerce shareholders approved the deal with 86.47 per cent of shares outstanding voting in favour. The Imperial vote was even higher: 93 per cent of shares for it.

The new bank was formally legislated into existence on June 1 when the Governor General issued the requisite order-in-council.

L. Stuart Mackersy became chairman of the new entity, Neil J. McKinnon, president and chief executive officer, John S. Proctor, executive vice-president. J. Page R. Wadsworth, general manager of the Commerce, and Harold Thomson,

NEIL MCKINNON, JOHN PROCTOR AND STUART MACKERSY
SHAKE HANDS ON THE MERGER

general manager of the Imperial, became joint general managers. A friend congratulating Page Wadsworth said he had thought, "something was up."

"Why?" asked Wadsworth.

"Because I saw you and Thomson meeting each other by chance at a reception and you deliberately avoided each other, lest your meeting and chatting could add fuel to rumour."

The members of both boards all became members of the new board.

The name — the Canadian Imperial Bank of Commerce — was long and unwieldy. "But," said one executive, "there was never any hint of shortening it. It said that we were Canadian, had world connections and were totally involved with commerce. What could be better?"

NEW QUEBEC HEADQUARTERS
Dorchester Street, Montreal, 1962

Chapter VIII.

Expansion Everywhere

THE NEW BANK was big. At its first Annual Meeting on December 12, 1961, the general manager, J. Page R. Wadsworth, showed how big.

"From the amalgamation last June of The Canadian Bank of Commerce and the Imperial Bank of Canada there emerged a banking institution with the largest Canadian dollar resources and the largest number of branches in Canada. These branches are located in every province and territory and extend from the international boundary in the south to within the Arctic Circle in the north. We can therefore continue to provide the highest standard of banking service to the country as a whole, and at the same time to offer to customers both in Canada and abroad the advantages of larger resources and more intensive branch representation. The annual statement which is now before you contains the first report of the combined organization and shows that since the amalgamation the Bank has continued to grow and has gone on to establish a number of significant new records in Canadian banking....

"This year's annual statement shows total assets of $4,584,000,000, an increase of $371,000,000 over the aggregate asset figures reported by the two banks a year ago. This was the highest figure ever recorded by a Canadian bank....

"Bank Premises account at $55,615,000 increased by $2,585,000 during the year. In addition to the excellent distribution of branches across this country, the Bank operates branches in a number of important centres outside of Canada, such as London, New York, San Francisco, Los Angeles, Seattle, Portland and the British West Indies as well as representative offices in Zurich, Chicago and Dallas."

CARDINAL LÉGER, NEIL MCKINNON, MAYOR JEAN DRAPEAU,
CHAIRMAN STUART MACKERSY

...and the thousands who came to see

OPENING CEREMONIES, JUNE 1962

It seemed fitting that he should announce at the same time that the Bank's new Quebec headquarters in Montreal, 43 storeys high, would be open for business in May of 1962.

The Bank also had clout. In the audience were 66 directors (more, said one wag, than the number of shareholders present).

They had all been hand-picked, either by the Commerce or the Imperial. Together they controlled a huge chunk of Canada's commercial, financial, manufacturing, and resource industries.

Mining was represented by Jules Timmins, a man who was a mining legend in his own time and whose drive and determination had opened up Northern Ontario, Quebec, and Labrador and masterminded the development of their vast resources in iron, gold, and a host of other metals. He retired as of this meeting, but there still remained the top people from McIntyre Porcupine, Falconbridge, and Rio Tinto.

Forestry was represented by J.V. Clyne, chairman of the board of MacMillan, Bloedel and Powell River Limited, and J.D. Zellerbach, chairman of Crown Zellerbach Corporation.

Manufacturing firms as diverse as the Hawker Siddeley Group, the Imperial Optical Co. Ltd., the Ford Motor Company of Canada Limited, the Procter & Gamble Company of Canada Limited, the Cooper Construction Company, and Babcock-Wilcox were well represented by their respective chairman or president (who, in many cases, was also the owner). William Horsey's company, Salada-Shirriff-Horsey Ltd., made Canada's breakfast marmalade as well as providing its afternoon tea. W.F. McLean's Canada Packers brought Maple Leaf ham, spiced meat, and wieners to every province. And Consumers' Gas, represented by its chairman, serviced most of the homes in the Toronto area. The retail, pharmaceutical, and toiletry industries, communications, insurance, and heavy metal were all part of the board, with a large overlay of financial institutions, investment groups, venture capitalists, and the top-flight lawyers who spelled out the corporate rules.

Many of the men had served their country well as dollar-a-year administrators in Ottawa and elsewhere during the war.

There were four C.M.G.s, five C.B.E.s, five O.B.E.s and 14 honorary doctorates among the 70 directors.

The Bank, therefore, also had experience — long experience. The chairman, Stuart Mackersy, had himself joined the Imperial Bank straight out of school in 1911 at Red Deer, Alberta. He had been appointed accountant at Nelson, B.C. 12 years later in 1923. By 1927, he was accountant at Edmonton; by 1929 assistant manager in Edmonton; by 1942, manager at the Winnipeg main branch. Then came swifter promotion: October 1943, general supervisor, head office; 1944, assistant general manager; 1950, general manager; 1951, director; 1953, president and chief executive officer; November 1958, chairman of the board, which position he retained in the merged Bank, and would do for two more years — a total of 51 years' service. The president and chief executive officer, Neil McKinnon, had joined the Bank of Commerce at the age of 14, also straight out of school, in Cobalt, Ontario. He had had the same kind of progression: head office inspector in 1937, at the age of 26; general manager at 41, vice-president at 43, president at 45, chairman at 48, now, "King of the Commerce" as someone dubbed him, he was only 50, yet with 36 years of service.

There was no question that he was the boss-man. And in welcoming both the merged board and the shareholders, he made his position clear. The Bank Act, he said, dealing with mergers, made it mandatory that "both the affected institutions flow together with continuity from the past into a greater combined institution. This expresses quite happily the objective of all of us; the high traditions of the Commerce and the Imperial will be preserved and the friendly service to the public, which has characterized both institutions in the past, will be well maintained."

Such experience at the top was paralleled in the branches, that vast network which was the heart and soul of the Bank. The length of service was quite remarkable.

In early 1963, two managers of branches in Edmonton retired: Charles Howell and Leslie Mason. Between them, they had 97 years of service. The retirement page in the Bank

magazine regularly mentioned 40 years of service or more for many Bank employees.

And long service seems to have led to long lives. One John Buchan joined the Commerce in 1886 at 17, retired in 1929 after 43 years, but is pictured in 1980, at the age of 94, striding without stick or glasses up "the tree-lined streets of his Moore Park [Toronto] home."

"His wife sometimes tries to slow him down a little, [but] he still drags out a ladder and goes about his chores when necessary at their cottage at Lake of Bays."

What is more, these managers were pillars of their communities. When James Pike retired from Springhill, Nova Scotia, the local paper, *The Springhill Record*, had this to say:

"In saying goodbye to Mr. Pike, Springhill will do so with deep regret. In the ten years he has spent amongst us he has played a large part in the affairs of the community. During this short term he has been president of the Board of Trade and the Springhill Rotary Club; he has served as chairman for the St. John Ambulance drive and acted as treasurer for the Springhill Board of Trade, the Rotary Club, the Canadian Red Cross, the Children's Aid Society, the Easter Seal Campaign for Scouts and, since 1956, he has been treasurer of Springhill's two Disaster Funds, with the 1958 Fund running over $2,000,000.

"When we say that his ten years in Springhill have been ten years of public service, we mean just that. His splendid record must recall to many of our citizens the value of such a man to the community in which he serves his bank. Springhill will miss Jim Pike, who has so willingly and so capably filled many important offices in the community. But, as he enters on that life of ease to which so many look hopefully forward, the community will join in wishing him a long and pleasant retirement.

"To Mrs. Pike, who has also been active in community affairs, and has given leadership as Regent of the I.O.D.E., treasurer of the W.M.S. of Wesley United Church and other church groups, the community will also extend its thanks and best wishes for future happiness.

"Mr. Pike was honoured at the recent Atlantic Regional Curling Bonspiel held at Amherst, N.S. A presentation of a gift of money was made by George S. Unwin, Regional Superintendent, on behalf of Mr. Pikes' many friends in the Bank. The cheque was earmarked to purchase an item of furniture of the Pikes' own choice for their recently built home in Fredericton."

At the time of the merger, the Bank had a dedicated, long-serving, experienced, and loyal staff. In many branches, the female staff even devised their own "outfits" [not "uniforms"] and paid for them themselves. When technology had not yet caught up with some of the more routine chores at the counter, they also devised ways of their own. *Current Account* for April-May 1966 shows Donna Johnston of the Dundas & University Branch in Toronto with a new and labour-saving device made out of a piece of thin sheet metal for coin-wrapping. The account ends with: "This is just a gadget idea you might wish to try. It *cannot* be ordered from Head Office and there are no plans to make it commercially."

A staff that devises its own counter-gadgets, even designs (and pays for) its own uniforms, is a contented, productive work force. The Bank was a choice place of work obviously: it had *esprit de corps*, a tradition, and prestige.

As Neil McKinnon faced the future, this staff was one of his great strengths. But it also had a downside. The managers at the over 1,200 branches, because of the slow progress of advancement in the '30s and '40s, were all middle-aged and conservative in their views. Credit experience by its very nature makes such people conservative.

But the times were changing. For this was the 1960s, a decade that would see enormous changes in the country and even more radical changes in the Bank, a change brought about by the entry into the work force of the baby boomers. These children, who had been born immediately after the war, were one of the largest crops of newborns that Canada had ever seen; not only better educated than their parents, they were also a lot less inhib-

ited. For them the '60s was Woodstock, the Beatles, folk singing, and a lessening of moral and ethical considerations brought about not just by education, but by travel, by the birth-control pill and television, not to mention the U.S. agony over the Vietnam War. When they left school or graduated from university, both sexes went into jobs. No longer did women, for example, go to university to find a husband, nor did women straight out of high school go to find a job as a temporary gap between school and marriage. In the Bank, there would soon be many more women working with the desire — indeed, the ambition — to become much more than tellers or secretaries. Many of these young women wanted to be president of the Bank.

In this latter aim, there was little encouragement either from local managers or from the staff magazine. Women employees were, by tradition, clerical staff or tellers. Many of them, indeed, wanted to stay as such. They did not want the long hours which accountants and assistant managers had to put in on their way to advancement. They did not want responsibility: they wanted a job — a job which nevertheless gave them more prestige within the community than did many others available to those with only high-school training. And many women were not as amenable as men to a sudden change of location, which promotion to an appointed job might bring.

Edited for the majority, therefore, *Current Account* in the early '60s emphasized the personal side of women's lives, not the career side. Even so, two articles that appeared in the August and September issues of 1964 seem in retrospect quite remarkably condescending.

"The majority of women in our Bank are serving the public, projecting an image of the Bank to present to potential customers. How they perform in these positions will determine where their future lies. There are three principal areas in which we can assess ourselves — personality, training and education, and appearance.

"Service is the product we have to offer. The development of a pleasant personality, the daily habit of a smile and simple

ROLE MODELS FOR WOMEN
IN THE STAFF MAGAZINE, 1964.

thank you for our customers, will never fail to win their satisfaction in dealing with us. Positive attitudes to our work and to our fellow workers, the ability to make working a pleasure for ourselves and others, are equally important, for it is in this area that much of the criticism of women at work falls.

"Training and education are basic to success in any organization. Today, Career Centres and the Staff College provide specific bank training. We can also continue our education while working, by attending night school and enrolling in university extension courses. Many women planned their education in expectation of devoting most of their lives to home and family. Men, on the other hand, realized that a business career would be a full-time occupation and prepared themselves for this situation. To match men in opportunities for advancement, it is easily seen that this is one area in which we must catch up.

"Lastly, but not of least importance, is our personal appearance. Appearance reflects many things to others — our attitude to our work, our interest, our pride in ourselves. Too frequently, a person is judged by his appearance. With equal frequency, his employer is similarly judged, unfortunate as this may be. For this reason, one can see why appearance is important to the Bank and to chances for advancement.

"Fabric developments and careful planning mean that a woman can dress well on a moderate salary. Cosmetics need not be restricted to after five wear. They have been designed to enhance one's appearance, not to distort it, and this applies to business as well as to leisure time activities.

"Women no longer have to fight to obtain their initial positions in the Bank. However, once the job has been obtained, the pattern of succeeding years depends on the individual.

"Developing positive attitudes to her job, co-operation with and assistance to fellow workers, the personality and appearance she presents to the public, are individual responsibilities.

"And it is in how we approach these responsibilities that we contribute to the future role of women in the Bank, and our own future advancement."

In the September issue, this is followed by a quiz called "The Girl in the Glass is You." Designed by a woman in the "Career Centre," it demands quotation in full:

"You may not have been born with the face or figure of a Hollywood glamor gal, but you have a personality which makes you different from anyone else. How you develop that personality is up to you.

"Charm is ageless and more permanent than the greatest physical beauty. It may be the way you talk, your enthusiasm, manners, faultless grooming from head to toe and pleasantness of face.

How do you look to others? - How do you rate?
Let's take a look

	Yes	No
1. Do I have 8-10 hours sleep each night?	☐	☐
2. Do I eat a good breakfast every morning?	☐	☐
3. Is my hair clean, appropriately styled for business?	☐	☐
4. Is my makeup applied neatly and appropriately?	☐	☐
5. Do I smile often?	☐	☐
6. Are my teeth clean?	☐	☐
7. Is my breath fresh?	☐	☐
8. Do I have a daily bath?	☐	☐
9. Do I use a good deodorant daily?	☐	☐
10. Do I use a depilitory as often as necessary?	☐	☐
11. Are my clothes clean and well pressed and in good repair; lingerie immaculate?	☐	☐
12. Are my clothes correct for business including length and fit?	☐	☐
13. Is my weight correct for my height?	☐	☐
14. Are my stockings businesslike — clean and run-free?	☐	☐
15. Are my hands well cared for — nails clean and well manicured?	☐	☐

16. Do my shoes look their best — clean and kept in good repair? ☐ ☐
17. Do I get plenty of fresh air and exercise? ☐ ☐
18. Do I practice good manners? ☐ ☐
19. Do I take an enthusiastic approach to my job? ☐ ☐
20. Do I show consideration for others — by being punctual at all times? ☐ ☐

How do you rate? Be honest with yourself

"If you have scored 20 — it can't be true — you'd better look again. If you have 15 or more — you are likely well groomed — and a pleasure to be with. Anything under 15 — you'd better do something about changing. Let's get started — make a diary note to make another self-analysis!

"Considering all these points you should never forget to be yourself. Be feminine and charming, but do it naturally, letting your own personality shine through. Naturalness boosts confidence. Don't forget to allow yourself some beauty time; it only requires a few minutes a day."

Even the 1960s Bank woman must have protested. Anyway, for the next few months the *Woman to Woman* section offers mainly recipes, then up-to-date fashion trends before the whole effort peters out when *Current Account* is replaced by a very different staff magazine in 1968 — *The News* — a magazine which has much more information, many more career-oriented articles, and assumes a much more intelligent, with-it reader than *Current Account* ever did.

Nevertheless, the Career Centre, established on December 6, 1961, had a program designed solely "to contribute effectively to making our Bank outstanding for the quality and warmth of the service to the public. Special emphasis will be placed on the importance of customer relations, ideas for grooming improvement and a basic understanding of the elementary technical aspects of banking."

In the first two-day session of six hours, a scheduled five hours — almost half the allotted time — was given over to make-up and grooming. In the second two-day session, four hours were practice sessions at the tellers' desk with basic instruction on various kinds of accounts, stop-payment orders, hold funds and such-like — no doubt with the Bank's *Manual of Organization* getting a lot of attention. Short films helped to make points about office teamwork, human relations (*The Very Last Word*) and telephone courtesy (*A Manner of Speaking*). Two strip films were also widely used: *Little Acorns* (explaining the danger of errors) and *Bankicide* (the importance of secrecy).

The *Globe and Mail* praised the Centre appropriately enough in its social and women's section and the *Telegram*, on the same day, headlined its story "Those 'Stodgy' Institutions are Banking on Glamour." The *Globe*, however, in outlining the Centre's concentration on personal appearance, fitness, charm, and grooming, did end its coverage by saying:

"The course also is intended for men who come on staff. However, the men will have their own instructors. Whether they will also be given tips on grooming in the mirrored salon has not yet been disclosed."

For young men who were joining the Bank, in fact, outside circumstances were already forcing a new assessment of its employment practices for them. The long apprenticeship, plus the arbitrary decisions made at regional or national headquarters which could see a man whisked off within a day or so to take a promotion a hundred, or even a thousand miles away, was not attractive to career-minded, bright young men. It was also a time when university entrance was becoming common, and new universities were opening everywhere: York in Toronto, Brock in St. Catharines, Trent in Peterborough, Simon Fraser in British Columbia, with Calgary and Regina's satellite colleges becoming independent universities. The traditional correspondence-course training for banking was not by any means obsolete, but the whole matter of recruitment and training would have to be looked at.

As for banking itself, the whole country now wanted the banks' services. They wanted mortgages for their houses and loans to furnish them. They had steady and increasingly well-paid jobs which would soon revolutionize credit. The era of savings by the small depositor, and loans to the big business customer, would soon be set on its ear by the small borrower and individual borrower, becoming, in aggregate, the Bank's major customer.

Such an increase in both the scope and nature of the Bank's business would call for sweeping technological change in the handling of accounts. And there was also increasing competition from a whole host of financial institutions whose activities were not controlled by the regularly updated Bank Act.

As President Neil McKinnon stood at the head of the new Bank, he would have to navigate its way through these three main areas: the Bank Act; recruitment and training; new technology, while still maintaining a profitable institution. [You can't avoid change; you must control it.]

It would be an exhilarating challenge.

NOW UNDER ONE ROOF .... the Canadian Imperial Bank of Commerce is a joining together of two long-established banks, The Canadian Bank of Commerce and the Imperial Bank of Canada.

The letters C.I. stand for a great number of new banking advantages. They stand for the Courtesy and Industry of 15,500 men and women who have united their talents to serve you better. They stand for Capital and Initiative to help Canadians develop Canada's vast potential. They stand for Canadian Imperial Bank of Commerce, a vigorous and progressive force in Canadian banking.

Visit the Canadian Imperial Bank of Commerce soon. Present or future customers can be assured of the finest banking service, utmost courtesy and assistance. **CANADIAN IMPERIAL BANK OF COMMERCE**

CI ALSO STOOD FOR 'COME IN'

Chapter IX.

Wholesale to Retail

NEIL MCKINNON was a committed bank man; his career in the Commerce proved it. Now he had almost single-handedly brought about the merger with the Imperial which made the Canadian Imperial Bank of Commerce the second largest financial institution in Canada. It soon became clear that he intended to run it.

The mingling of the two organizations went pretty well. People in the branches had to make greater personal adjustments, though, than people at the executive level. Customers who had always dealt with the Imperial were initially wary of the new incarnation of their old branch, its windows bedizened with a large CI in purple and yellow on June 1, 1961. What did the initials mean? Ducky, the fictional air-headed teller in *Current Account*, said simply: Come In.

Despite the new symbol — that bold CI in two squares surmounted by a Parthenon-like pediment — there was a certain amount of suspicion among depositors. Managers were warned, in a circular from the general manager, J. Page R. Wadsworth, that other banks had taken the opportunity "to create uncertainties or uneasiness in the minds of customers as to the possible effect of the amalgamation on their personal relationship." These uncertainties were to be vigorously dispelled by managers.

Such a circular was only one among many that flowed from the general manager's office. The by-now 16 volumes of *Branch Management and Operations* also soon arrived in former Imperial branches, each full of specific instructions as to how every banking situation in the field should (nay, *must*) be handled.

Imperial managers must have wilted a bit before such an avalanche of paper, their corporate culture having been more that

of handshake than memo. One which, in retrospect, must have been particularly galling was *Circular 222* of 1962 (they were numbered from the beginning of each year and this was only August). It complained of high stationery costs and insisted they be brought under control. A manager of either original bank, faced with the administrative nightmare of changed letterheads, new cheques, revised reporting procedures on new forms, etc., must have wondered whether conformity with this directive was a high priority despite the figures on cost-control that followed it.

However, the merger was a fact, whatever personal reservations might be, and it was clear that McKinnon was the man in charge. Stewart Mackersy was nominally chairman and J.S. Proctor, former president of the Imperial, was executive vice-president in the new Bank's structure. But on May 10, 1962, Proctor resigned "for personal reasons." A year later, it was announced that "Mr. L.S. Mackersy, M.C., at his expressed wish, retired from the chairmanship of the board but will continue as a director. Mr. N.J. McKinnon was elected chairman and chief executive officer."

With such greatly increased authority and clout, McKinnon could get on with persuading the government to change its 19th century outlook on banking and finance. If his managers were still conservative, and the position of female staff less than equal with the male, if the Bank's administrative structure, despite his initiative with the Chicago psychologists and management consultants, was creaking in its reporting joints, the Bank was a model of forward-looking efficiency compared with the legislation under which all banks had to work.

Up to 1954, no chartered bank had been allowed to provide mortgages, nor to lend on chattel mortgage security. The revision of the Bank Act in that year had allowed them to do both. In the first six months of the new legislation, the Bank had placed $25 million in mortgages. In five years, the amount had grown to ten times that. In fact, one-third of all approved NHA mortgages had been made by the banks: $1,292 million out of a total of $3,690 million.

Other economic factors, however, had raised the NHA interest rate to 6.75 per cent by 1959. Because of the century-old law forbidding them to charge more than six per cent interest, the banks could no longer accept NHA mortgages and their participation ceased.

These was also the new provision which allowed banks to accept chattel mortgages and to take other durable goods as security. This was again because of intense pressure by consumers who, having bought a house, now wished, naturally enough, to furnish it. Even more important, though, was the purchase of a car, now being made in increasing (and therefore cheaper) quantity by factories converted from wartime production of military trucks, armoured cars, and tanks. And a car was no longer a luxury, it was a necessity. How else could people get to their work from the new suburbs where public transit was not readily available?

Again, despite the method worked out by the Bank as long ago as 1936, which made personal loans profitable by using a six per cent discount rate (which produced a return of over 10 per cent), banks were no competition for finance and loan companies. These latter had grown up to fill the need for small loans and did so at much higher interest rates than the banks were allowed to charge. In fact, a variety of financial institutions were encroaching on bank business and were almost entirely unregulated.

By 1961, it was clear to Donald Fleming, the minister of finance, that a thorough investigation of the country's financial system was necessary. James Coyne's tenure at the Bank of Canada had been stormy, his treatment of the chartered banks both peremptory and arbitrary — well beyond what even non-bankers thought his mandate was. On October 16, under the chairmanship of the Hon. Dana Porter, the chief justice of Ontario, a Royal Commission on Banking and Finance was appointed by order-in-council.

Its members were well-chosen, its research staff exemplary. This was McKinnon's chance. As chief executive of the second

largest bank in the country, he could from strength point out the inequities and, indeed, the idiocies of the current banking legislation, to an impartial Commission who would listen to him. And he was good at it. It had been his submission in 1954 that got chattel mortgages for the banking sector.

He appeared before the Committee in January 1963. He started by saying that the first part of his submission would focus "more directly on certain issues which affect in a fundamental way the future of the chartered banks in Canada." Then he outlined briefly how the variety and number of financial institutions had grown up "broadly speaking, in response to some need or opportunity which had not been adequately met by existing institutions." Now, he maintained, they were all in competition, both on the deposit or borrowing side of their operations and also "to a growing degree" on the lending or investment side.

He then outlined where banking was, in a century-old legislative straitjacket, and where it should be, if, as he believed, there should be a clear competitive free market for finance as well as other sectors.

It is a masterly survey.

"The Canadian chartered banks work under certain restrictions and limitations which do not apply to the other institutions. The chartered banks alone among financial institutions, are listed as banks in the Canadian Bank Act and they are controlled in all their operations by the terms of that Act, which sets out in considerable detail what they may or may not do.

"Section 91 of the Bank Act imposes a maximum of six percent on the rate of interest which may be charged for bank loans. Section 75 prohibits the banks from lending money or making advances on the security of real immovable property. This prohibition has been modified to the extent that the banks may take mortgage security under certain government guaranteed lending schemes such as the National Housing Act and the Farm Improvement Loans Act. They may also take chattel mortgages in connection with loans to individuals.

However, they are still completely excluded from the whole area of conventional mortgage lending, whether for private or business purposes. Under Section 71 of the Bank Act, the banks are also required to maintain a cash reserve in the form of the Bank of Canada notes held by each bank and deposits with the Bank of Canada, such reserves to be not less than eight percent of the Canadian deposit liabilities of each bank. Under the Bank of Canada Act, the Bank of Canada is empowered to increase this reserve requirement by stages up to 12 percent of Canadian deposit liabilities. In addition to this eight percent cash reserve and in the light of the power of the Bank of Canada to increase the reserve requirement to 12 percent, the banks have further agreed with the Bank of Canada to maintain day-to-day loans to the money market and Treasury bills in such amounts that the total of cash, day-to-day loans and Treasury bills shall be not less than 15 percent of Canadian deposit liabilities.

"These requirements as noted apply only to the eight chartered banks listed as banks in the Bank Act."

Such restraints, in view of the growth of other financial institutions in the 100 years since Confederation, was totally unfair. Those other institutions included trust, insurance, and mortgage companies which not only currently earned seven per cent or higher, but if the market were capable of bearing it, could raise rates to whatever point they wished.

Small loan companies, operating under the Small Loans Act, routinely charged one to two per cent *per month* on loans under $1,500, and more on loans in excess of that.

Even more ironically, McKinnon pointed out that two government-established financial agencies themselves charged higher interest rates than banks were allowed to. The Central Mortgage and Housing Corporation charged 6.5 per cent — and that was why banks could no longer participate in CMHC mortgages, despite the 1954 Bank Act revisions. The Industrial Development Bank's rates had been as high as 7 per cent and there was no maximum specified in its enabling legislation.

"The important point to note," continued McKinnon, "in connection with these examples is not so much that rates above six percent per annum can be charged, for there is nothing special or remarkable about the rate of six percent. Of prime significance is the fact that, unlike the banks, these institutions have flexibility to set their rates in accordance with market forces. If the 'going rate' for a particular kind of business moves above six percent per annum, they are not arbitrarily excluded."

There was also no need to assume that the lifting of this 6 per cent false ceiling would mean dearer money for the small borrower. He pointed out that since 1936, the Commerce had carried a discounted small loan plan which returned some 10 per cent to the Bank. No regulator had ever challenged the mechanism by which it worked, nominally under the 6 per cent ceiling. Indeed, said McKinnon drily, when he went into the mechanics of the plan in considerable detail before the Standing Committee of the House of Commons on Banking and Commerce at its 1954 hearings into the revision of the Bank Act, "there was little inclination on the part of any of those then concerned in reviewing these matters to argue that the public interest would be better served if these borrowers were forced to seek accommodation at much higher rates from alternative sources."

As to the prohibition on conventional mortgage lending, the revisions of 1954 had torpedoed any legitimacy which that might ever have had. Was it not, he said, the governor of the Bank of Canada himself, Mr. Graham Towers, who had commented that, in his view, the investment in mortgages of "a moderate percentage of savings deposits" would not in any way impair the liquidity of the banks?

Straight commonsense, implied McKinnon, should see that the mortgage and interest rate restrictions were left over from a less sophisticated era of Canada's financial history. And though he did not use the image (McKinnon was not a literary man), he had shown conclusively that the government's position had been "hoist with its own petard."

Take away these false curbs, said McKinnon in essence, and money will be available for our burgeoning population, our growing housing stock, and our emerging small businesses. What is more, it would be at much more competitive rates.

His spirited, cogent setting-out of the situation was reflected in the report of the Commission which, when it was published in 1964, entirely agreed with him: the fixed interest rate should be abolished; mortgages should be allowed, and on the matter of asset ratios (another major thrust in McKinnon's brief) the Commission said, "the safety of the public's funds...is not promoted by the imposition of extensive asset ratios or prohibitions on banks."

McKinnon had emerged, some commentators thought, as the authentic, magisterial voice of banking in Canada.

But his job was not to make the government sensible, it was to make the Bank profitable. He knew, better than anyone, that governments proceed with glacial speed to implement even the most worthy and popular recommendations of Royal Commissions. This was particularly true in the Porter Commission's case. The Diefenbaker government, which had created it, had been defeated in 1963 and the Liberals had taken over. That brought Walter Gordon to the Ministry of Finance, and he was more concerned with Canadian nationalism than Canadian banks. Then came another election and Mitchell Sharp took up the reins. It would be 1966 before the revisions recommended by the Commission would even get second reading in a fractious House.

The Bank would make its own arrangements meanwhile.

As to mortgages, if the Bank was not allowed to be involved, maybe the Bank might become the agent for a mortgage company that could. And so, after consultation with M.C.C. Ross, general manager of the Credit Division, McKinnon decided to found a mortgage company.

"What shall we call it?" asked Ross.

McKinnon thought for a moment. "Put two halves together to make a whole: Kinross." Whereupon the Kinross Mortgage

BANKING AWAY FROM THE BIG CITIES

In the 1960's the M.V. Jean Brillant brought banking services to the St. Lawrence North Shore logging 1200 miles per week. Its Officer-in-Charge, J.F.N. Bergeron, had a very compact office and quarters from which he served 5,000 customers per week.

Corporation was launched. J. Grant Glassco, an external vice-president of the Bank and president of Brazilian Traction, was named its head. The management, however, was exercised by a group of Credit Division officers, with W.A. Oxley as vice-president and G.N. Morrison, general manager.

The Bank, it was announced, had a substantial but not controlling interest in the company. All first-mortgage applications to the Bank would be directed to Kinross, the Bank's principal mortgage agency.

By February 1964, Kinross was a well-established part of the Bank's services to its customers. Managers were encouraged to seek out people whom they could refer to Kinross and it was reported by W.M. Currie, chief general manager, that "the managers have supported the program with enthusiasm and have spared no efforts in making it a success." In fact, success somewhat overwhelmed it initially. On February 4, 1964, Head Office advised managers that:

"The objective of the Company in the early stages of its development was to acquire a solid base of good loans on individual houses, supplemented to a relatively modest extent by larger loans on rental and commercial properties. This had been the experience in Pension Fund lending and, while a greater volume was sought, there was no reason to expect that there would be any change of consequence in the type of applications. This has not been the case, however, and the Company has received a heavy flow of large applications on various types of industrial projects from all sections of the country. The volume of housing applications has been up to expectations but the dollar value has been much exceeded by other kinds of applications, many of which have been for quite large amounts. So far, the Company has approved all worthy applications, even though the number and amounts of large projects placed before it for approval have been consistently increasing.

"Having in mind the short time the agency arrangement with the Bank has been in effect, the Company has been reluctant to modify its lending policy but the imbalance of its portfo-

lio has now reached a point where it has been decided that changes should be made to improve the diversity of its loans. Therefore, the Company will for the time being modify its general lending policy to the extent that housing loans will be preferred and in general an individual limit of $50,000 in all categories of loans will be eligible."

One should bear in mind that a very substantial executive house in a metropolitan area at this time could be bought for $40,000, and the majority of what one might call desirable residences in cities across the country were in the $25-$35,000 range.

Industrial mortgage lending was obviously a profitable market and needed special expertise. The joint venture with Kinross was not aimed at it and had had its purpose skewed because of dealing with it. So two other joint ventures were made: one with Triarch Corporation Limited and another with United Dominions Corporation (Canada) Limited.

Triarch specialized in the raising of venture capital and, more significantly for its partnership with the Bank, in interim (second) mortgage financing. Triarch also was into investment management and advisory financial services.

United Dominions was a sales finance or acceptance corporation which also was in industrial mortgages, long- and short-term capital financing and the small loans business. In particular, it was well-established in the leasing of equipment and machinery, as well as in the wholesale financing of automobile dealer inventories.

These were new areas of business for the Bank's branch managers who were now dealing, as it were, with a third party. The instructions as to how they must conduct such business came in long memos from Head Office, all of which instructions extended branch paperwork for very little immediate profit to the branch. To the Bank as a whole, yes, but not to the branch. And a whole host of new terms, new forms, and new business was now coming into the branches. *Current Account* — as it occasionally did — took humorous note of this.

"'So now, you want to dispose of a $1,000 bond, eh madam?' said the banker glibly into the telephone.

"'Tell me, will that be for conversion or redemption?' he asked.

"The perplexed lady at the other end of the line paused for a moment before replying.

"'Say', she queried, 'am I talking to the Bank or the Church?'."

That estimable publication (now joined with *The Link*, Imperial's former staff magazine) exuded the folksy, caring relationship that banks still had with their customers. This item says volumes about it:

"Dear Sir:

"Yesterday, I promised the custodian of the safety deposit vault to return the second key to my box. Unfortunately, I am unable to do so.

"It appears that while my family were away on holiday on South Pender Island, my boys wanted a sinker for their fishing line. My wife had a spare key which, at that moment, she was unable to recall was for our safety deposit box. She loaned it to them.

"It now lies in one and a half fathoms of water off the rocks of South Pender Island.

"My boys, besides losing the safety deposit key, have lost, by accurate count: 2 pickaxes, 1 garden rake, 1 spade, 3 trowels, 4 hand axes, a logger's axe, 2 crowbars, 2 canaries, 3 white mice, one of which is unfortunately only half lost, and one mouse trap which was purchased for the immediate attention of the aforementioned half-lost mouse.

"They have lost, by inaccurate count: swim suits and towels, numerous sprinklers, several saws, innumerable hammers, copious tears, their tempers, and their parents' tempers.

"They have also lost six of my golf balls, but when suitably threatened, managed to bring back eight better ones.

"Due to obvious circumstances, I am unable to make suit-

able parental threats to have your key returned, but in lieu of this, I am enclosing a cheque for 50 cents to pay for the cutting of a new key.

Yours very truly,

(Writer's name withheld)
"P.S. The safety deposit key, besides being lost, was a dead loss as a sinker."

The folksy charm of such an exchange was beginning to ebb, though. The number of customers was rising fast as more and more people began to use banks.

For a start, there were more people in Canada. Between 1945 — the end of World War II — and 1965 when Parliament was, when it found time, debating changes to the Bank Act, the population rose from 12.07 million to 19.64 million. And the new services — in personal loans, mortgages, leasing, interim financing — which had so recently come under the Bank's aegis, meant more business as well as more people. New branches were opening in the first five years of the 1960s at the rate of almost one a week.

The critical problem was the clearing and proofing of cheques. By 1962, cheques were passing through the Canadian banking system at the rate of three million each working day — one billion a year. Even more worrying, census figures of 1956 had shown that out of a population of slightly over 16 million, 6.5 million were under 20 years of age and four million under 10. Canada was a young country — and all these young people would grow up to write cheques. The old days of cash payment were rapidly fading.

Even increased space, extra staff, and many more conventional machines, plus round-the-clock shifts of three eight-hour segments were not going to cope.

The answer was MICR (Magnetic Ink Character Recognition), which entailed the application of a strip of mag-

netically treated ink that was scannable by machine and so sortable and proofable electronically.

Originally evolved through the efforts of a research team at the Stanford Research Center in California, sponsored by the Bank of America, MICR had been adopted and refined by the American Bankers' Association. Since so much bank documentation passed daily between the United States and Canada, the Canadian Bankers' Association had agreed to adopt it. The information to be encoded, the position of the code, the consensus on the type font to be read by standard scanning machines were all agreed.

By July 1961, all managers were informed that MICR had now been adopted. They were urged to explain the changes and their implications to their customers, many of whom required new cheques anyway because of the merger. Some resisted the change, and individual depositors did not like having to buy cheques when previously they had used free counter cheques.

This resistance on the part of some customers was, alas, shared by some managers. A year later, despite a six-page explanatory memo of *Questions and Answers on MICR*, the general manager had to report that:

"A major cheque printer has complained to The Canadian Bankers' Association that after getting the equipment necessary for the encoding of cheques, he is finding that the Managers of many branch banks are not promoting the magnetic ink encoding of specially printed cheques, and that some Managers are telling customers that electronic cheque processing is still some years away.

"The magnetic ink encoding of specially printed cheques was dealt with fully in Circulars 46/61 and 82/62, and the Manager should ensure that all officers who may be called upon by customers and others for information regarding specially printed cheques are fully familiar with them and with the contents of the publication 'Cheque Standards and Specifications for Magnetic Ink Encoding'. It is particularly important that printers who are co-operating with the banks in the magnetic ink encoding of

specially printed cheques should not find that their customers are getting incorrect information from branch banks.

"Electronic processing of cheques will commence in Toronto this month on a restricted basis and application of the technique will be extended as rapidly as it is possible to do so. By March 1963, most of the banks will be processing magnetic ink encoded cheques through electronic equipment.

"The success of the programme, which involves all the banks, hinges on having a high proportion of cheques encoded. It is important, therefore, that there should not be any misunderstandings emanating from branch banks as to the need for magnetic ink encoding.

"If the Manager encounters difficulties in a customer including magnetic ink encoding as his cheques come up for reprinting he should discuss the problem with the Regional Superintendent."

By 1963, the battle was really over: the encoded cheques were standard. Even more important, the next major technological change was in the works: the computer. But there was one last flick of the encoded dragon's tail. William M. Currie, new general manager, as late as June 28, 1963, was having to acquaint branch managers with the proper procedures for the remaining unencoded cheque:

"Counter cheques are not encoded in magnetic ink and cannot be sorted and listed on automatic equipment. The banks have accordingly agreed to approach customers in an effort to reduce the number passing through the clearing at Toronto and Montreal. It is not the banks' intention to withdraw counter cheques completely, nor can we refuse to negotiate them, but an educational campaign designed to encourage customers to use their own cheques will start in July. This will be conducted through the press, counter displays and pamphlets and by direct contact at the branch. Supplies of counter displays and pamphlets will reach the branch shortly. Copy of an advertisement which will appear in daily papers in Ontario and Quebec on July 11th is attached for information only.

"On July 3rd supplies of counter cheques are to be removed

from cheque desks in the public area. Customer requests for counter cheques whether for individual or business use may be filled, but a counter officer familiar with the banks' objectives should take the opportunity to explain the situation."

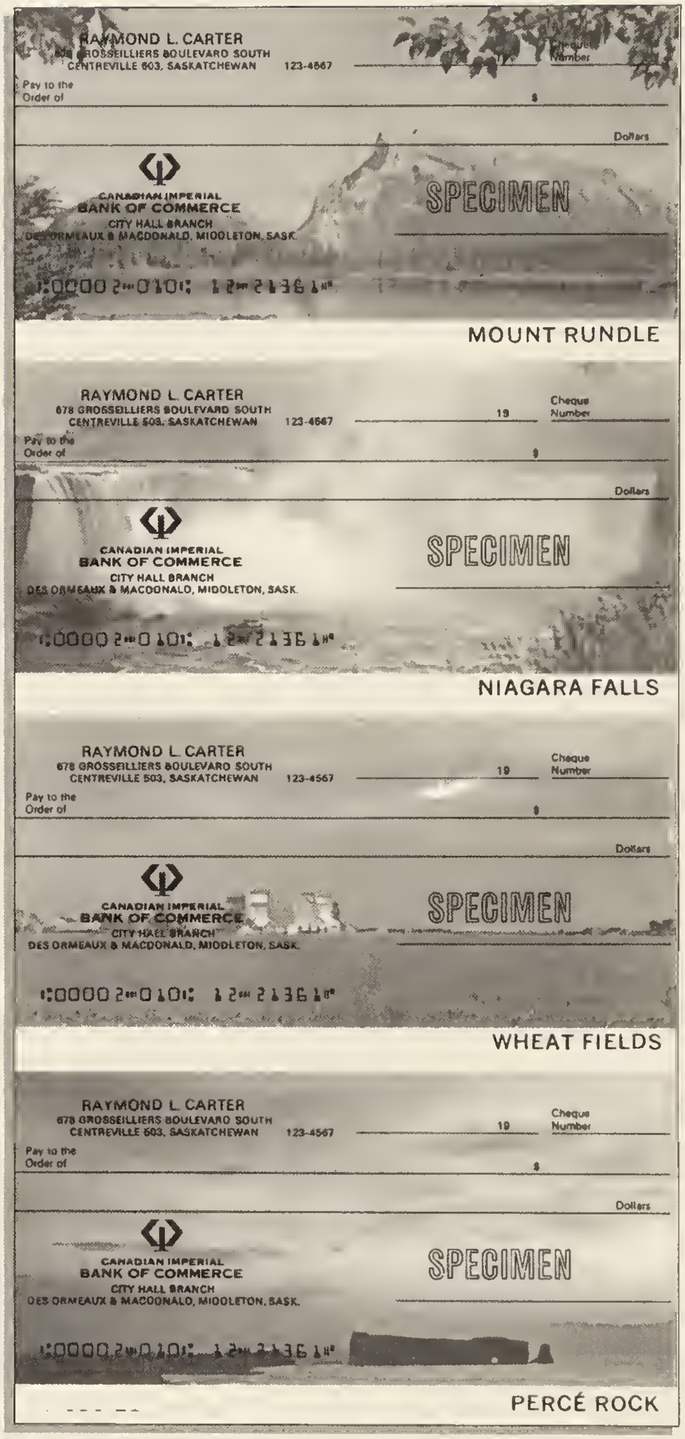
Customers were still reluctant to buy cheques. So in order to encourage individual customers — both retail and deposit customers — to buy their own encoded cheques, the Bank produced, in April 1970, books of "pictorial cheques."

The total package consisted of eight booklets of 25 cheques each, with five scenes — a pictorial reproduction of Peggy's Cove, Percé Rock, Niagara Falls, wheat fields (presumably Saskatchewan), and Mount Rundle. The customer's name, address, and telephone number, if desired, could be printed on each cheque along with the necessary encoding for electronic processing. The cheques, available to individuals for current accounts, personal chequing accounts and chequing savings accounts, also included a supply of deposit slips, a cheque register, and a free vinyl wallet cover of the customer's choice from a selection of thirteen distinctive patterns. The total package was available to customers for $2.98 plus provincial sales tax. The cost to the branch was $2.66, with the 32-cent commission being paid to the branch for each order sold.

The introduction of the cheques was supported by a full-page colour ad in major weekend magazines and a full-page black and white insertion in urban area papers. There were in-branch displays containing a window poster, a display stand poster, a counter display unit, folders, and order forms.

In closing, the circular affirmed: "Surveys indicate that these cheques can be used as an effective sales tool in obtaining new customers and developing new deposit business as well as reducing the cost of providing cheques. As this will be the first introduction of pictorial cheques on a Canada-wide basis, the availability of such cheques will provide support for the Bank's deposit building programme."

One amusing footnote. A Kitchener, Ontario doctor applied for the cheques, asking that both his and his wife's name be



CHEQUING CANADA OUT

printed on them. Since their names were too long for the order form, he wrote "as attached" in the space provided, and carefully printed the names on a separate piece of paper. His cheques arrived soon after, addressed to, and printed as, "A.S. Attached." Not all the bugs were in the MICR system itself!

The Bank's objective during the '60s was clearly to gain as many depositors as possible, so that their cumulative deposits could then be lent out to the Bank's big industrial and commercial accounts. Encoded cheques had made such an expansion of the customer base possible, especially for chequing and savings accounts. Computers would soon make all the bookkeeping for these accounts equally quick and efficient.

Masterminded from Head Office, the first computerized Data Centres were established in 1962 in Vancouver, Montreal, and Toronto. As the staff magazine reported, "these electronic machines are helping to take the drudgery out of Head Office and branch work." (When the Winnipeg centre was established in 1968, it replaced what the clearing and proofing staff had called "the grinder room.")

These early computers were physically huge mainframe machines and had to be set up in a special glass-enclosed, air-conditioned room: the heat thrown off by them was enormous.

What they did was already a major advance in the Bank's administration. Says *Current Account* for November-December 1966:

"The Data Centres in Montreal and Vancouver do the bookkeeping and produce the reports and notices for their regional Personal Loan Departments and look after Centralized Payroll for their respective Regional Offices and branches. The Toronto Centre, in addition, does much of the record-keeping for the Mortgage Department. It also assists the following divisions and departments with some part of their work: Stock Transfer Department, Personnel Division, Investment Division, International Department, and Marketing Division."

What other things they might do was under continual review by the Electronic Research team. And to help their thinking, the

Bank, in conjunction with the University of Toronto's School of Business, arranged a lecture by Dr. Herbert A. Simon, psychologist, economist, and computer scientist from the Carnegie Institute of Technology in Pittsburgh. The title of his lecture was "How to Stop Worrying and Love the Computer."

A contemporary report of the affair was quite in awe: "His theme was summed up by the head of the School of Business when he thanked Dr. Simon at the conclusion of the lectures: 'He has slain the bogey of automation. He has shown us how to learn to stop worrying and love the computer'.

"In personal conversation, Dr. Simon is quiet and unassuming with a good sense of humour and a wide range of interests. He is a thoughtful listener as well as a good talker.

"He has a computer console in his home, connected with a computer at Carnegie Tech, and he uses it a good deal in his research.

"If you ask him whether computers can think, his answer is a qualified 'yes'. They can be programmed to simulate the thinking process of man, including what may be called 'creative thinking' and the making of decisions.

"Along with other leaders in the field, Dr. Simon has demonstrated this concept by programming a computer to play chess and compose music.

"As he outlined in detail in his lectures, he is not at all worried about the effects of the computer on employment and on the nature of work done by human beings. Just the opposite, in fact; he believes the computer will help man to produce more, to concentrate on interesting work and to achieve a higher standard of living.

"Dr. Simon expects computers to help us to understand ourselves better — how we think, how we learn, and so on. In the long run, this may be their most important benefit."

It would certainly bring the Bank out of the 'good penmanship' era of branch accounting.

By June 1967, Toronto's Yonge & Bloor branch had 'on-line' capability for savings passbooks. In reporting on this, the staff

TORONTO WELCOMES
THE COMPUTER
AND ITS APOSTLE
DR. HERBERT A. SIMON

magazine not only explained (in the simplest terms) how it worked, but hinted at what was later to become the greatest convenience to customers: inter-branch banking.

"Toronto's Yonge & Bloor branch holds the distinction of being the first in Canada to introduce a computer that balances customers' savings passbooks.

"Savings tellers, using a computer console into which passbooks are inserted, punch an entry on the keyboard. The computer does the rest and brings the book up to date. Consoles are connected by telephone lines to a computer system — outside the Yonge & Bloor branch — capable of handling millions of savings account entries.

"Launched in June and known as the On-Line Savings system, the new method means that tellers no longer have to search for a card and spend a minute or two to bring the customer's passbook up to date.

"It also means the teller does not have to calculate the new balance or perform any manual copying. At day's end, the teller, simply by pushing the appropriate buttons, is able to arrive instantly at her closing totals.

"The process also saves the customer time, and provides him with an attractive machine-posted record.

"To trigger the system, all information relating to each savings account in the branch is fed into the computer. When a deposit or withdrawal is made — or a cheque written — the transaction is punched in on the console. The computer stores the information and calculates the new balance. It also 'remembers' whether the customer's passbook was updated and retains the information until the passbook is presented by the customer at the branch.

"On-Line savings opens up many possibilities for further applications. Eventually it will become possible for a customer at one branch to go to any other branch connected with the system and make deposits or withdrawals on his savings account."

The expanding universe of customers made possible by automation brought continuing prosperity, as well as growth, to

THE BANK INSTALLS
COMPUTERS
AND ON-LINE
PASSBOOKS BEGIN

the Bank. In 1962, J.Page R. Wadsworth, as general manager, had reported that assets of the combined Imperial and Commerce at the end of the first full 12 months of post-merger business stood at $4.762 billion; commercial loans were at $2.085 billion, "the highest figure ever reported by a Canadian bank," and total loans stood at $2.59 billion. Five years later, the assets had almost doubled to $7.481 billion. So had the loan total, to $4.213 billion.

Yet the Bank was still operating under the severe constraints outlined by McKinnon in 1963.

But that same year, 1967 — three years after the usual 10-year term for revision — the new Bank Act was passed, and banking has not been the same since.

Chapter X.

Credit Card Banking

No question, 1967 would mark the end of an era. The Bank would celebrate its 100th birthday. So would Canada. And there was no doubt that the revisions to the Bank Act, due to be promulgated in May, would follow the recommendations of the Porter Commission. It was also going to be a very busy year.

The Bank's own celebration was widespread. Branch staffs all over the country decked themselves out in period costume. In the Barrie, Ontario branch, which had opened in 1867, customers were welcomed to the newly-furbished branch by the senior staff and the manager all in frock coats. In Langley and Penticton, B.C., the female staff were all in authentic 1867 dresses (though there had been, in fact, no female staff members of the Bank in 1867). In Windsor, Nova Scotia, the women wore handmade bonnets and period dresses. CIBC floats in centennial parades all reminded spectators that it was the centennial of the Bank as well as the country. In Grande Prairie, Alberta, as well as Medicine Hat, the Bank's entries won first prize.

A special May issue of *Current Account* was devoted to the Bank's centennial celebration. There was a time chart of all its various acquisitions and mergers from 1867 to 1961. There were archival pictures of various Bank buildings from places as various as Yellowknife (a log cabin), Vancouver (a pseudo-Greek classical temple), and Halifax (a solid stone fortress). Old-timers reminisced, there were wartime experiences (of two wars), and pictures of ancient documents such as the memorandum book issued to Commerce depositors in 1893, and an Imperial Bank passbook from the St. Thomas (Ontario) branch in 1881.

CENTENNIAL GARB AT
KAMLOOPS, WINDSOR, N.S. AND
WINNIPEG

The big link with Canada's centennial was the Bank's branch at Expo 67, that great expression of Canadianism which attracted the world. The CIBC was the only chartered bank to have a branch on the Expo site. The branch would actually lose money on its services to the public, but the Bank was cushioned against this by being the principal banker for all the Expo 67 Corporation accounts, plus its foreign currency transactions. There was even a special service charge to be levied by the Bank if the daily deposit balances as from May 1966 fell below $3 million.

At a time when advertising and public relations was a new and as yet unfamiliar avenue for banks in search of business, the Expo branch was a real bonus for Russell Harrison, the regional general manager, and provided the deputy-chairman, J. Page R. Wadsworth, now also resident in Montreal, with worldwide contacts on his home ground.

The Bank took its position on Ile Ste-Hélène very seriously. A group of hostesses was carefully selected from branches throughout the province of Quebec. They had training in make-up and personal appearance from the beauty advisor of Avon Products, and two Bank instructors provided intensive training in public relations (Miss Sheila Flynn) and in technical banking matters (Miss Irene Léger). This latter area was particularly important when so many of the customers would come from countries with widely differing banking practices. Mrs. Yvette Poitras was the overall training officer, and the manager of the branch was Paul Léger, a promising young banker who the year after Expo was awarded a Sloan Fellowship.

Both men and women wore uniforms: the women, an uncrushable burgundy and gold dress and jacket; the men, burgundy blazers, grey flannel slacks, white shirts, and gold ties.

The most hectic job was for those hostesses who stood in front of the branch with trays of envelopes each containing Canadian currency to the value of a $20 U.S. traveller's cheque. On one hectic day, they cashed 4,500 of them and, said one hostess, "So many sign their cheques and never count

what is in the envelope." The most difficult job was to try and get valued clients fast-track viewing of popular exhibits, especially the Czechoslovakia pavilion. But many letters came from corporate customers thanking Bank staff for making their Expo visit pleasurable, so they obviously succeeded. The chairman, Neil McKinnon, sent his congratulations when Expo closed:

"The Board of Directors have asked me to convey to you, and through you to the members of your personnel, their appreciation for all that was accomplished by the Bank at Expo 67. The Manager and those who served at the Expo branch, the officers who served at the Trade Centre, and Mrs. Poitras and the group of hostesses who worked through the Regional Office, are all to be congratulated for a job well done. It is appreciated, however, that many others in your Region played in their own way an equally important role. We particularly have in mind the Managers and personnel at many of your branches who operated during the busy summer months without the services of certain key members of their personnel who were serving at Expo.

"I am sure you will agree that the success of our endeavour would not have been possible without an imaginative, aggressive and conscientious team effort. It is a clear indication of our great potential and we couple with our congratulations our thanks for an example that should stand us all in good stead as we move into the challenges of the future."

In reply, Russell Harrison said:

"I too am most proud of the team effort exhibited and hope that with the same attitude the talent which we obviously have in the Bank can be utilized to provide an increasing rate of progress with, for those involved, an increasing measure of personal satisfaction. You may rest assured that our efforts will be enthusiastically continued."

That "increasing rate of progress" was a prescient remark.

The Bank Act of 1967 was going to accelerate that rate, and down roads the chartered banks had never travelled before.

THE BANK'S BRANCH AT EXPO 67

Expo 67 was a six-month wonder: banking was going to be a hectic, years-long roller-coaster ride.

The promulgation of the Bank Act on May 1, 1967, allowed banks to charge 7.25 per cent on their loans immediately, and wiped out any upward limit from December 31 onward. It also allowed banks to write conventional mortgages. For the first time in the century, banks were now in level competition with trust companies, loan companies, and finance companies.

Head Office of the Bank was aware that this competition was not in itself a money-maker. A thoughtful document circulated at the time spelled out why the increased return on loans had a flip-side: increased cost of acquiring deposits. Plus the chain of adjustments flowing from such increased cost.

"Some idea of the magnitude of the costs involved in any sudden further upward movement in the costs of our savings balances — upon which we presently pay 3 percent — can be taken from the following:

"If we were to increase the present rate by only one quarter of one percent across the board the additional costs would amount to $5 million per annum.

"If, however, in order to compete with the new banks and trust companies we had to think in terms of 4 percent across the board on savings accounts, we would be talking about an increase of $20 million to our per annum costs. Such an increase would for example have reduced our pre-tax earnings for 1965 from $46 million to $26 million and our net profit from $23 million to $13 million.

"However, as a large number of savings accounts are, in fact, active chequing accounts which are the least profitable of those held by any deposit-taking institution, and therefore the least vulnerable to competition, there would not likely be any need for across the board increases. Premium rates would more properly apply to true savings balances. One proposal being considered is a special type of non-chequing savings account. We calculate that if all true savings were shifted to that type of account at, say, 4 percent, the added cost would be $12 million

annually at present levels. Other less expensive alternatives may prove to be effective but these would have to be determined in the light of actual competitive experience.

"In any event, it is apparent that if we do raise interest rates on savings balances — even on the most selective basis — any such move, if it is to really achieve a strengthening in our competitive position, is going to involve us in additional annual interest costs of very considerable magnitude with the total possibly approaching some $12 million a year."

In view of this anticipated increase in the cost of deposits, the document suggested various ways of raising revenue. First, new loans, rather than any general interest increase on existing loans. But "increases would be warranted in loans to non-captive finance companies, investment dealers and stock brokers....and certain mortgage-type loans in which the banks now advance interim financing...and other general loans where we might take mortgage security." These actions could result in increased revenues of about $1.5 million.

Second, the wind-up of the deposit plan personal loans — the 1936 model — should increase the return on the existing portfolio by about another $1 million.

But even taking other similar measures, the author of the document saw only $4 million a year increase, "which is considerably short of the heavy additional costs with which we expect we are going to be faced."

But if the Bank were to adjust its compensating credit balances, maintained by borrowing accounts, by only one per cent, that would mean an immediate increase of $24 million in deposits, since the size of these borrowing accounts was a healthy $2.4 billion.

Again, service charges could be adjusted (they brought in $12 million in the year 1966) and operating expenses could possibly be cut — not by a lesser payroll, since there was a "sharp upward spiral" in wage rates across the country, but by extending the use of computers.

"The Bank Act," said a memo to all managers from L.G.

Greenwood, now the general manager, "will bring about a much wider competitive environment and the resourcefulness of all members of the personnel will be required to meet the challenge and maintain the growth of the Bank."

To gather deposits, several changes were made immediately. Effective May 1, the date the new Bank Act came into law, the interest on savings accounts was raised from three per cent to 3.5 per cent. In addition, a new type of savings account was instituted. There were no chequing privileges to this account, withdrawals having to be made at the counter, but the interest would be four per cent.

To help raise revenues on the other hand, the interest on Home Improvement Loans was increased from six per cent to 7.25 per cent on July 7.

As far as mortgages were concerned, there would be no immediate change in the Bank's method. Mortgage placements would still, for the time being, go through Kinross: the procedures were well laid down and Kinross "is a well-established vehicle," said Head Office. However, while conventional mortgage funds were available through Kinross, short-term and other mortgage loans which did not fall within the normal operations of Kinross could now be made directly by the Bank. Branch managers were therefore to get out and sell mortgages actively to counter the perception that "existing mortgage rates are high." Also, the $25,000 figure for a maximum loan could be modified "where the following circumstances apply:

1. The house is located in an area where there is no doubt that like houses are readily saleable for the appraised value.
2. There is a particularly strong borrower.
3. The amortization does not exceed 20 years.

Only in very exceptional circumstances will houses in outlying or fringe areas qualify for loans over $25,000....

"It is unlikely that acceptable loans at these higher levels can be found in communities of under 100,000 people."

In any case, though Kinross had ample funds available, the

Bank was also eager to get into related transactions, so branch managers should "indicate to lawyers and real estate firms who are customers that conventional mortgages are available."

The speed of change was accelerating exponentially and the general manager's remark about the resourcefulness of all personnel being required to keep the Bank in control of it was an understatement. The Bank's branch people, particularly the managers, were at the very centre of all this.

George Lethbridge, a branch manager in Woodstock on his way up in the Bank, reminisced about it 20 years later:

"We were bombarded with material from Head Office, and I have often said that if I had done everything which they had asked me to do, complied with what they insisted I do, we would have had the cleanest branch in the whole system, but we would not have had any customers.

"I could not operate within their restrictions. Nor did I read the fifteen volumes of the BMO. I knew one section — credit — by heart. The rest I never read. I told them: You use Roman numerals in that series: I don't know Roman numerals."

One of the things which made life difficult for the manager after the 1967 Bank Act was the new flexibility in the interest rate.

"Prior to 1967", said Lethbridge, "there was no negotiation. A loan was 6%. Now the rate could change overnight and you had to inform the customers. There was, of course, resistance. One lady, who had a demand loan of $100, came down by bus to see me. She was really angry about "the second or third increase" she had had. I pointed out that an increase from 6 per cent to, in her case 7.5 per cent, would have cost her less at the end of the year than the cost of her bus tickets to come down and see me. It did not signify for her: it was the principle of the thing.

"It was a difficult time for us. We had always been able to negotiate with commercial accounts: making adjustments to credit lines, retained funds against those credit lines, the management of the float, etc. But with personal loans it was a whole

new culture, and the individuals got quite upset about it.

"Again, when we were able to give consumer loans and mortgages, Head Office would suddenly crack down on credit. I never understood that. For a few hundred million — peanuts in the system — we refused good loans, even refused to honour mortgage commitments because of those decisions at Head Office. We lost business because of it and were playing catch-up for a long time after."

This was the result of the Bank — particularly its executive direction — gradually learning about asset management.

From the very beginning of the Bank, the lendable funds had always been a mix of subscribed shareholders' capital and deposits. When the 1967 revisions allowed banks to issue debentures and thus raise extra funds, the controllers of the bank policy (in all banks) were wary of a process in which they did not have any experience. Borrowing money from the money market was a much more complicated matter than taking deposits. And it was dearer money.

But just as they were concerned about asset management on the big scale, managers were faced with it on the small scale. Consumer credit was much more profitable than industrial and commercial loans. Did a branch manager spend more time with his big customers, or did he aim to increase the base with a host of smaller, more profitable borrowers?

Lethbridge again: "We had been first in the personal loan business in 1936 — had it all to ourselves. Then in the 50's, when the Bank of Nova Scotia came out with its Scotiaplan loan, we seemed to back off. I think that was wrong. The broader the base of deposits, the broader the base of loans, the better the Bank."

All this change was even more complicated by the adoption of Chargex by the Bank, which offered a revolving credit to everyone who could even minimally qualify.

For years, preferred and credit-worthy customers had been issued courtesy cards by branch managers which allowed them to cash cheques and do some other business in branches other

CHARGEX IS LAUNCHED

Helen Mowat, Chargex Service Rep. and Julie Cwiertniewski, teller at Toronto's Bay and Richmond branch

than their own. In 1950, the first multi-purpose general credit card, Diners Club, was issued by its inventor Frank X. McNamara in the United States. Instead of providing a courtesy for its bearer, it furnished brand new business for McNamara. Cardholders would simply charge their purchases in restaurants and Diners Club would, in essence, buy these receivables, discounting them to the restaurant owner. The idea spread. When it hit the travel industry — hotels, airline tickets, etc. — American Express, using its original travel network as a base, brought out its own card in 1958.

U.S. banks, seeing the potential in user fees, discounted receivables, membership fees and such, began to copy Diners and American Express. By 1959, over 150 U.S. banks were issuing their own credit cards. Some difficulties ensued, but by 1965 the Bank of America's Bank Americard had recovered all launch and start-up costs and had gross sales of $111 million.

In May of the next year, 1966, the Bank of America's blue, white, and gold banded card was actively merchandised to other banks after a breakthrough in which Barclays in England concluded an international agreement with the Bank of America.

The Canadian banks now had to look at this new phenomenon. The key was to have a large group of merchants and service organizations first.

The range of places the card could be used was the great selling point. Between them, the Commerce and the Royal had about 40 per cent of all retailers in the country as their customers. It was a matter of very short discussion between John Coleman, president of the Royal and Larry Greenwood, president of the Commerce, to agree to buy into the Bank Americard system. The Toronto-Dominion and the Banque Canadienne Nationale joined the venture almost immediately. The size of the market was enormous: in the United States, after five years of credit cards, the total indebtedness of their users was $2.6 billion.

A confidential memo alerted all branch managers in April 1968 that:

"After considerable study of bank credit card plans in other countries and in response to demands for a similar service in Canada, it has been decided to introduce a card plan which will have interchange arrangements with plans to be introduced simultaneously by three other Canadian banks, The Royal Bank of Canada, Toronto-Dominion Bank and Banque Canadienne Nationale, using the common name 'Chargex'. The plan will be introduced initially in the metropolitan areas of Toronto and Montreal but will also have international interchange arrangements initially with the Bank of America and its licensees in the United States and abroad as well as with Barclays Bank Limited in Great Britain.

"The decision to use a common plan name was based not only on the need for domestic interchange arrangements but also because of the broader market potential. Each bank is individually responsible for the issue of its own card which will carry the name of the issuing bank as well as the plan name 'Chargex'. This single card plan offers a member merchant the advantage of access to the cardholders of all the participating banks. The cardholder will have the advantage of being able to use his card to make purchases from any merchant associated with the plan, but the bank that issued the card to the holder will be solely responsible for the billing and collection functions.

"The initial issue of cards will be on a large scale unsolicited basis, to persons selected from the records of branches in the service areas. Thereafter applications for cards will be available at the branch and at merchant members in the initial service areas. These applications may be used by a prospective new cardholder or by an existing cardholder who wishes to apply for an increase in the control limit on his card. For control purposes, each card carries a limit, which in the initial issue will generally be a maximum of $500. This limit is not intended primarily as a measure of credit responsibility but rather is intended as an approximation of the monthly charge purchase requirements of the holder. As this can only be an estimate in the case of the initial issue it is expected that some cardholders will wish to have

cards with higher limits and applications therefore should be encouraged."

The value of the card as a revenue producer for the Bank was also spelled out. The merchant member would get immediate credit for sales drafts deposited with the Bank "less a discount which will range from 4 to 6 percent depending on merchant category determined by annual sales volume and the average amounts of sales drafts....The discount will accrue to the bank." The cardholder had 25 days to pay without incurring interest but "there will be provision for extended payment on the basis of 10 percent of the billing, minimum payment $10 and the charge for extended payment service, in the case of this Bank, will be 1.50 percent per month for balances up to $300 and 1 percent for any excess."

This was a long way from the six per cent maximum allowable just a year before. This was also a long way from the traditional money-handling by Canadians so brilliantly portrayed by Stephen Leacock in *My Banking Career*. In fact, the ease of credit available with Chargex provoked discussion in the press and among staff and customers of the Bank, both as to its creation of "easy money" and the fact that that in itself might lead to inflation.

To counter these criticisms, J.C. Lofquist, Assistant General Manager, Consumer Credit Division (and therefore in charge of Chargex) arranged an interview in *The News*.

On the matter of what some people in the press had called the "Easy Money — Never-Never World" of credit cards, he was specific:

"To date, there is no evidence that Chargex credit cards encourage excessive use of credit. It is to be kept in mind that the initial issue is made to selected customers and all subsequent issue is by application only. The credit standards for Chargex are just as demanding as for other forms of Bank credit.

"A significant effect of Chargex on the retail market to this point has been largely a fragmentation of purchasing. With the introduction of Chargex, the consumer had a choice of many

more outlets at which charge account privileges were available. This has spread the purchasing over a large number of stores but has not substantially increased overall consumer spending.

"In fact, Chargex helps the customer to budget his finances by offering one statement — one cheque convenience. The Chargex card replaces several other charge instruments and provides, therefore, convenience as well as control on spending. In terms of actual statistics, our cardholders maintain, on the average, an active balance of less than 50 percent of the authorized credit available. I believe that this serves to point out the commonsense approach of our cardholders."

As far as Chargex being "a fuel for inflation," as one newspaper had put it, he deflated that idea equally specifically.

"Chargex, as well as offering a credit facility, is a part of the payment system. Many customers use it exclusively for shopping convenience, pay in full on billing, and effect worthwhile savings both in postage costs and service charges with only one monthly bill and one cheque to write, and incidentally no carrying cost if paid in 25 days.

"About half the cardholders do take extended terms. In our view, this represents credit that was previously obtained from other sources, such as retailers, rather than a total addition to consumer credit outstanding. In any event, the total outstandings under Chargex are less than 1 percent of total consumer credit outstanding in Canada. It does not seem conceivable that this has contributed to inflation.

"In respect to its effect on retail price levels, experience in other well-established markets does not indicate that the acceptance of Chargex credit cards by a merchant will bring about substantially increased operating costs that will be passed on to all customers, including cash buyers.

"In the first place, to the extent that Bank credit cards substitute for credit operations already in existence, the discount is ordinarily less than the cost the merchant incurs in extending credit. He is relieved of bookkeeping expense, credit losses, and will have a reduced working capital requirement.

"In the second place, any increase in sales volume through the use of the card broadens distribution of overhead expense. Beyond this, even in the longest established credit card markets, credit cards account for a minor share of the business of individual retail merchants, thus minimizing the impact of discount on overall average sales.

"In the final analysis, price structure is governed by competitive factors: stores that offer credit facilities have to compete with other stores in the same market area. To sum up, we do not consider the plan is inflationary either as a total concept or in respect to the price structure at individual stores."

Lofquist was of the opinion that: "Chargex will assume an increasingly important role in the payments mechanism over the next ten years. It is imperative that we reduce the problem of paper flow through the clearing and Chargex is well suited to this purpose."

Managers reading his comments could almost predict his closing words:

"In summary, I feel we have a service that is both practical and convenient. I would add that we have been made aware of many favourable comments regarding Chargex. Some selling of the concept is still required and we solicit the co-operation of our personnel in seeking out opportunities to explain Chargex to our customers. We need branch co-operation and branch knowledge of our service."

What further was going to be asked of branch managers and branch personnel?

Within a year of the Bank Act revisions, they had had to cope with newly flexible loan rates on consumer and personal demand loans. They had had to oversee the promotion of new deposit accounts with varying rates of interest and differing methods of operation (chequing, non-chequing, long-term, non-cashable, etc.). They had had to cope with an increase of fraud attempts which the revolution in printing techniques had spawned. (The magnetic ink process on cheques could be adapted by criminals as well as legitimate users.) And though compu-

ters were making the testing of *bona fides* much easier, still some fraudulent cheques were cashed by means of false establishment of identity.

One memo to managers about this was rather sweet in its understatement: If, said the general manager, a stranger's *bona fides* cannot be suitably confirmed, "...the presenter of the cheque should be requested tactfully to present it where he *is* known."

The operation of those same computers, with their expanding network reach, had to be mastered and the extent of their reach tested by branches, and by regional and head offices.

Here is George Lethbridge again, in answer to the question, "Did the computerization go as well as *The News* and Head Office circulars would indicate?":

"No way. The clearing of cheques was a nightmare. All our cheques would go in a bag from Hamilton (by this time Lethbridge was manager of the main branch there) to Toronto for clearing. But we had already put them into the computer. The computer was instantaneous, the clearing was overnight at best, the next day often. So accounts we thought had money in — big accounts with millions passing through — were OK with us, but not posted at Head Office. The resulting refusals to cash were not only embarrassing to us, they undermined our whole credibility with our customers.

"We were always expanding our computer services before we got the bugs out of the existing system. And when we split the Bank into different areas later, it was even worse."

Change was happening; the control of it seemed not quite so positive.

Above all else, the manager had now, in the increasingly competitive situation of the industry, to be a really aggressive salesman on two fronts: for deposits, and for good quality loans, whether consumer or commercial.

In this latter connection, managers were helped by a specially commissioned training film from Chetwynd Films Limited. It was a 30-minute dramatization of how a call on a business-

loan prospect should be made, with a flashback to show how it had been badly made before.

Called *The Anderson File*, it is a "16 mm colour and sound motion picture with a running time of approximately 30 minutes on the subject of Business Development."

The film depicts a manager called Hillson who is not "chained to his desk" but gets out to see a company called Anderson. Hillson has thoroughly researched Anderson, and after acknowledging that "You're the first banker who's ever called on me," Anderson proceeds to listen to Hillson's pitch. He is impressed because of Hillson's knowledge of his company, and equally impressed by Hillson's familiarity with the Commerce's range of services outside his own branch. Hillson has become so good at this because as a flashback shows us, when a younger Hillson did *not* research his call, it was a disaster.

Now Hillson succeeds, gets Anderson a contact in the United States, gets his account, and will finance his plant expansion.

Larry Greenwood, chief general manager, appears on the screen at the end in his own office and directly addresses the meeting of managers which, across the country, was scheduled to see this film in 1967:

"Shakespeare said it… 'All's well that ends well'. I'm pleased to welcome you to this meeting and I hope you enjoyed the movie.

"Obviously, gentlemen, the situation depicted in the film would not apply to each and every one of our more than 1,400 branches. But wherever you are: Glace Bay, Nova Scotia; Kamloops, British Columbia, or Port-of-Spain, Trinidad, the principle is the same: we must prepare thoroughly before making a call on a prospective customer so that we can talk constructively to him about his business. Then, and only then, should we make the call. It's a challenge, but there's a great deal of satisfaction in meeting and, in the process, acquiring new business for the branch.

"Our competition have their Bill Hillsons too. So, I leave the challenge to you, gentlemen. Have a good discussion. Good luck and thank you for being here."

That some managers were eager to follow through is shown in a letter from the manager at the Bloor & Avenue Road branch to the divisional general manager, commenting on "Meet the Professions Month" for managers:

"You will recall that a year ago last January you instituted the above campaign for a period of one month. In order to put my shoulder to the wheel I approached a close friend of mine, Dr. J.E. McMulkin, to give us an account and same was placed at 151 Bloor Street at Avenue Road branch. He also does business with The Toronto-Dominion Bank, his main banker.

"You will be interested to know that he and a small group control a piece of property on Bloor Street which was expropriated by the City of Toronto and he recently opened an account at that branch in the name of 160 Bloor West Ltd. in the amount of $302,414.99 at interest. Due to a certain tax situation affecting some of his colleagues, it is likely that $200,000 of this amount will remain with the Bank for some time.

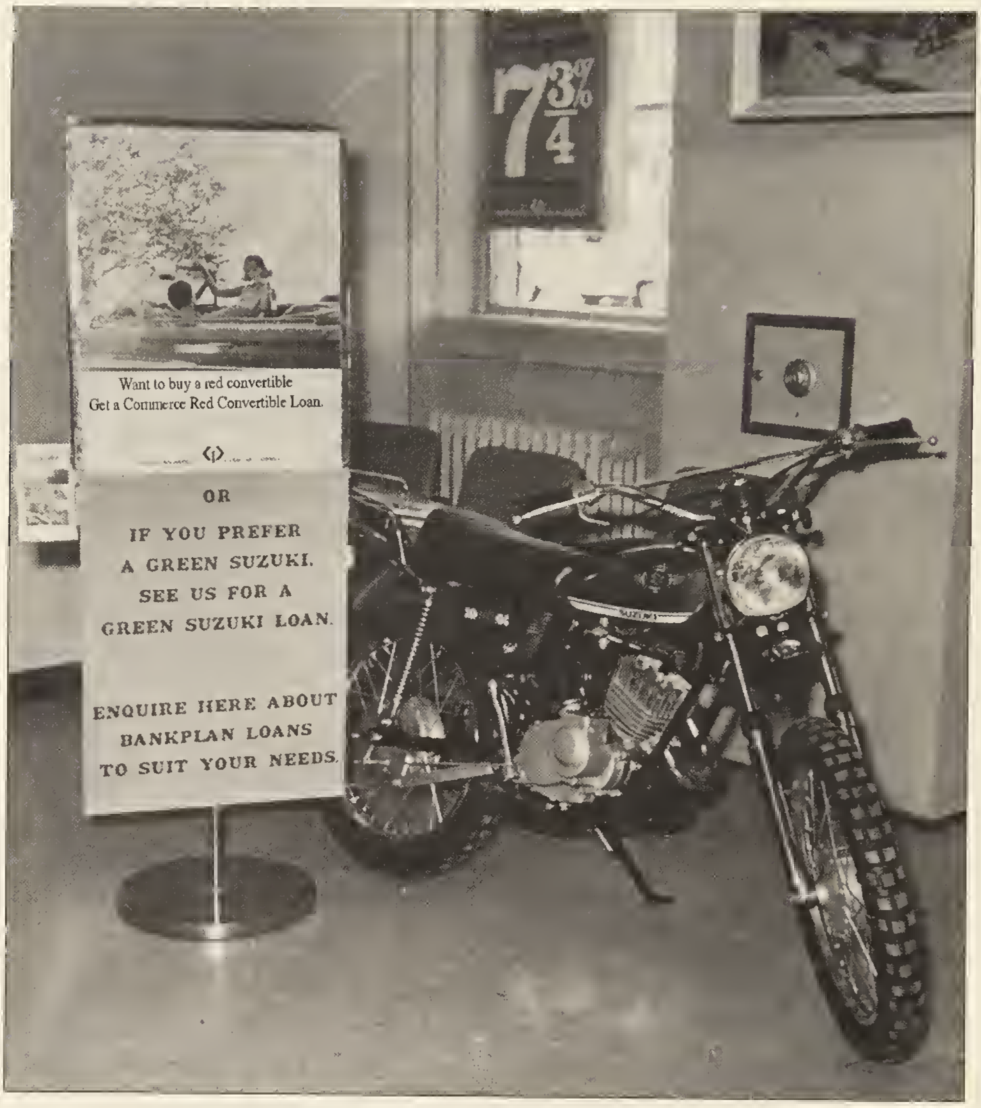
"That idea of yours was most outstanding in every way but just imagine what could happen if we had a sustained effort month after month."

As for consumer and personal loans, the Bank jumped in with energy to the new challenge. Its first major integrated advertising campaign using print, radio, and television media was the by-now-legendary "Red Convertible" campaign.

It suggested that credit-worthy, regularly employed people, whether customers or not, should apply for a Bankplan loan even to buy a red convertible. Devised by McKim Advertising, the Bank's ad agency, it had several facets to it.

First, it made it clear that the Bank was in the same business as the finance companies, but at lower rates.

Second, it showed that people with credit did not have to wait for things: instant gratification versus relatively long-term accountability.



MAKING DREAMS COME TRUE

Third, such people — the people who would buy a red convertible — were young, venturesome, trendy, and well-heeled by their own standards. Such people reflected, implied the ad, the trendy and venturesome Bank with which they were dealing.

With a pretty girl, a stunning car, and a lot of expensive media time and space, the ad moved into current folklore, something every ad agency and client dreams of doing. By December 1970, a cartoon in *The News* showed a traditional Santa Claus looking longingly at a red cutter in a car showroom. His bubble says: "Now! All I need is a red convertible loan."

In Lloydminster, the branch went one better. In the same December issue is a photograph of the branch's display: a motorbike by a poster which has the red convertible loan on top, and, underneath, the words:

OR
IF YOU PREFER
A GREEN SUZUKI
SEE US FOR A
GREEN SUZUKI LOAN
ENQUIRE HERE ABOUT BANKPLAN LOANS TO SUIT YOUR NEEDS

As if to underline the new with-it look of the Bank generally, a photo on the opposite page to the Suzuki is of Gayleen Rogers, stenographer in the Manitoba Regional Marketing Department looking at the Commerce Coin and Note Collection on display for the Manitoba centennial at the Winnipeg Planetarium. She is wearing a dress short enough to be considered a mini-skirt — and so are most of the other female personnel in *The News* photos at this point. This only five years after a cartoon in *Current Account* had shown a man in a coloured Hawaiian shirt being pegged as "not likely to succeed" in the Bank.

With a campaign like this — and others followed — consumer loans began to balloon. Up to 1967, the chartered banks'

THE BANK SWINGS INTO TELEVISION
ON THE BATS OF THE 1967 WORLD SERIES

share of the consumer loan business was less than 40 per cent, despite the Bank of Nova Scotia's aggressive initial campaign. By 1970, that share would be in excess of 60 per cent, the failure of two major acceptance companies helping the bank momentum along.

In order to finance this booming market, it was prudent to find more depositors, for though the Bank Act revisions now allowed banks to issue debentures, the money market was not, as we have noticed, as cheap a source of funds as deposits. But to get people's money, you have first to get their attention.

Expo 67 had attracted attention worldwide. Anyone attending from inside Canada (and millions did) could not avoid noticing the Bank's presence there. The service was innovative and good; the mere fact that it had been picked showed its status in the country. To keep that kind of attention going as Expo wound down, the Bank leaped on another real attention-getter: the World Series. It was a major decision, taken, again, on the advice of the Bank's advertising agency, McKim.

The aim of the sponsorship was spelled out by the Marketing Department quite clearly. It was to attract people into the Bank; it was to ally the Bank with another event of international importance; it was to show the Bank's friendliness — no rattling wickets and cathedral-like silence during the World Series.

Right across the country, television sets were brought into branches, the staff got behind the whole push, and a lot of people enjoyed the camaraderie of watching a game together. In Winnipeg, in Calgary, and in Perth, Ontario, as in many other centres, the staff got into baseball uniform: not the World Series players' uniforms, but those of local teams like Transcona in Winnipeg or (neat twist) Charlie Brown's Peanuts team in Perth, Ontario. But the object was not just local image-building: it was to attract customers, and customers with money rather than those looking for it. Right behind the television set in Perth, *Current Account*'s photo shows a poster a little bigger than the screen on one side promoting the new 4.5 per cent

true savings account, and on the other a "double your money" ad for the same purpose.

In 1968, when the sponsorship was repeated, the Moncton branch had stirring promotional messages both above and below its television set: "Join the Commerce World Series team: Open an Account" and "You don't Strike Out with a Commerce Account".

There were also awards for the people on staff who opened the most accounts, and those who attracted the most money on deposit.

To go with the commercials between World Series play was the Bank's "musical signature." This, a lilting "Bank of Commerce" composed by Skitch Henderson, former musical director of the Johnny Carson Show, was played by a back-up orchestra assembled by Moe Koffman and sung by Babs Beaubien, a Toronto chanteuse.

The World Series also piggybacked on attention generated by a press, radio, and television campaign running right through June, July, and August of 1968. The theme was "to keep cash on hand at the Commerce." Describing the ads before they appeared, *The News* had this to say:

"They have a distinctly contemporary flavour and recognize the fact that Canadians save for somewhat different reasons than their grandparents did. They reflect the view that they tend to save because they want cash on hand in case of an emergency or an opportunity and because it gives them a feeling of well-being.

"As one ad says, a savings account 'gives you a feeling of independence that nothing else can match. Problems happen. Opportunities happen too. That's when it is great to have cash on hand.'

"The ads promote the Bank's complete banking service.

"For expenses you know you are going to have — the rent, the phone, the electricity — cover yourself with a chequing account,' says one ad. 'But also keep a cushion in a Savings Account. As long as you don't need it, it's growing; but when you do, it's there.'

"One ad shows a harrassed best man rushing to the airport, his mind whirling with the expenses he will have to meet.

"But with a Commerce Savings Account there are no problems. 'Go ahead', says the ad. 'Call the airline. Rent the jacket. Spring for that nice chunk of Eskimo art. And have fun at the wedding. When there's cash on hand at the Commerce, the best man wins.'

"'When the rear end of your car goes,' says another ad, 'it takes cash to bail you out.'

"The first ad in the series says cash is nice to have after your wife has been to an auction and has wound up with a 'brass bed, two dining room chairs, a drop-leaf table and a lampshade.'

"A television version of this ad will run on Saturdays next to the CBC's national television news."

The Bank was suddenly deep into advertising — perhaps the biggest single change that the '60s brought to it. And it was always geared to the branch staffs. They dressed up in baseball outfits; they appeared on floats in local parades, the newspaper ads blown up to parade size; they set targets for the amount of business individuals brought in and awarded them with prizes and recognition in the local papers and the Bank's own paper, *The News*. In Toronto's Union Station, four young women from a new sub-branch established for "On-the-GO Banking" handed out thousands of burgundy-coloured folders designed to hold a book of GO train tickets and a Bank vest-pocket calendar. The branch was looking for commuter business from the GO trains, Ontario's Golden Horseshoe commuter network, so-called because it was a service operated by the Government of Ontario.

The managers and staff loved it. As George Lethbridge summed it up: "We all got into it. There was an *esprit de corps* everywhere. We all had fun." And fun in the Bank workplace was a great help to productivity.

How productive? The chief general manager reported to the 102nd Annual Meeting in these terms:

"1968 saw the completion of the first full year of operation

INSTANT MONEY ROUND THE CLOCK:
THE FIRST INSTANT TELLER, 1969

under the new Bank Act which came into effect in May 1967. Competition increased during the period particularly as the banks entered new fields. In August of this year the Bank, along with three others, entered the credit card field with the introduction of Chargex. The response by the public and merchants to this new service has been encouraging and it has already been demonstrated that a demand exists for this type of credit instrument. Initially introduced in Montreal and Toronto, the plan is now being expanded to other cities and will eventually be extended across Canada.

"During the year there were further improvements in the services offered to the Bank's customers. Thirty-seven new branches were opened and 1,450 banking offices are now in operation. More convenient hours of service were introduced at many of these branches to fit in with the needs of the community.

"The rate of interest paid on Savings Accounts was further increased during the year from 4.50 per cent to 5 per cent per annum. At the year-end, the total of personal savings deposits in Canadian currency, in over 3 million accounts, had reached a record level at just under $3.5 billion. The rate of growth in this period has been above the average for the banking system as a whole and at the same time all other aspects of business operations were well maintained.

"Good gains have taken place in loans under Bankplan which is designed to meet the needs of people in the consumer market."

A box reproduced in the Annual Report in which these remarks were printed showed some quite startling figures. From 1963, when Neil McKinnon appeared before the Porter Commission to argue for the changes, to the end of 1968 when the changes had been in operation for a full year, total assets in the Bank had increased from $5.24 billion to $8.3 billion, total deposits from $4.7 billion to $7.6 billion, and profit after taxes from $19 million to $32.9 million — a gain of almost 75 per cent.

But it was a very new kind of Bank that was evolving, and it was doing so in a very new society. The baby boomers were now out of university, and many of them had had more post-secondary education than their parents. The Vietnam War had turned U.S. society on its head and many of those who had done it were draft-dodgers now living in Canada. It was no longer a question of what services to offer in banking, but who should offer them. Personnel recruitment and training were now a major and urgent issue for management — and the board.

CHAPTER XI.

SHAPING THE FUTURE

BANKING WAS becoming much more complex. Credit was widely available for consumer goods, sudden personal expenses, travel and hotel bills (through Chargex), as well as for mortgages and personal loans. Commercial, industrial, and agricultural loans were still a substantial, but no longer the major lending business of most banks.

To find the money for all this activity, the Bank now had a major advertising campaign every year to attract depositors, with Canada's sweet-voiced Anne Murray later giving it a haunting signature tune. A developing money market was available for debentures, newly authorized as an instrument for banks. New capital ratios kept liquidity in a lesser straitjacket than before. The Bank's shares had been split on a 5-for-1 basis, thus greatly enlarging the potential shareholder base. And the international market, with huge Euro-dollar reserves from the Middle East oil companies, was a plum to be prudently plucked.

Obviously a lot of specifically trained new people were required at Head Office for the asset management of the Bank. In the branches, managers were being urged to seek stock transactions from their customers, to advise and shape the international activities of their major customers, and to attract deposits in any way possible, riding piggyback on the major advertising campaign. Their staffs had to be able to manipulate the new computers and other data-helps while keeping in mind the specific account that would best suit an individual customer.

The whole Bank was aware that competition was now fierce in all these areas, whether for attracting or disbursing money. As well, the 1967 revisions had not totally taken away the legislated

MARKETING BECOMES VERY BIG TELEVISION BUSINESS

competitive advantage of trust and loan companies, though the failure of British Mortgage and Trust and Atlantic Acceptance had already made even personal investors wary of high, but risky rates of return on their savings.

Was the Bank's staff up to all this?

Not in the view of the regional general manager for the Ontario Central Region, Gordon Sharwood, who in 1964, when the Porter Commission had reported, wrote a very forthright but well-reasoned memo to the president, W.M. Currie.

"I have been concerned for some time about the hidden costs involved in attempting to do business with the kind of personnel we have been hiring. Thirty years ago when the Bank was predominantly manned by males, we appeared to try to hire the best we could get. At present, when we have a Bank staffed predominantly by females, we appear to have gone to the other extreme.

"The whole subject of turnover is intimately connected with starting salaries. I am not impressed by the fact that our turnover is similar to that of other banks, since the banks no longer live in a personnel world all their own (if indeed they ever did) and this will be even less true if the recommendations of the Porter Commission are carried out and trust companies come under the Bank Act. One major employer, Woolworth's, which services the public on a wide basis, has an overall turnover figure of 19%. In discussing this with that company and with other companies which have been successful in reducing turnover, they say that their prime efforts are directed towards proper initial *selection* which, of course, means paying salaries to attract what they consider to be the proper kind of person.

"The costs of turnover are difficult to assess, but a partial list of costs involved might clarify the problem:

(a) The paperwork and record keeping involved at both branch and Regional and Head Office levels when resignations are received.

(b) The salaries of training officers in the various Regions.

(c) The time spent by the Methods and Organization Officers in re-organizing branches which have a high turnover and inexperienced help.
(d) The Career Centres in various cities.
(e) The non-productive managerial time spent in the branches in worrying about and continually retraining new employees.
(f) The administrative time of the Personnel Departments in the Regions spent on solving branch staffing problems which arise out of turnover. (As a result, the Personnel Departments do not have time to devote to long-term development of employees.)
(g) Poor customer services as evidenced by the average of two complaints per day relayed to this building about service in the branches in Metropolitan Toronto. This involves both loss of business and also the costs in executive time spent in dealing with these complaints. In addition, there are evidently complaints represented by closed accounts ('lost opportunity costs') and complaints which end at the branch management level.
(h) The cost of assistance necessitated by inexperience and replacements required to be carried for pending resignations (see average annual salary costs of persons carried on line 8 and 10 of Form 410).
(i) The costs involved in moving people between branches to replace resignations.

"One figure which North American industrial personnel administrators have come up with, as regards turnover costs, is an average cost of $700 per resignation in additional hidden costs. We have had some discussions with Mr. Keaveney about this to try to arrive at an estimate for this Bank, but the list above certainly involves quite substantial costs. The Bank had about 4,500 resignations last year and, even if we used half the figure of $700 per year (and in a service industry such as ours, we suspect $700 would be a minimum rather than a maximum), we are considering hidden costs of $1,500,000. Even a portion of this added to starting salaries (with the rest in profit

account!) would make a substantial difference.

"The above cost calculations do not take into consideration the fact that low calibre personnel can often result in quite serious overstaffing and my observations at branch level suggest that, for example, we may be paying two girls $2,300 per annum where one at $3,500 per annum could do the job and more. In addition, directing our hiring at the lowest end of the labour market suggests that we may not be attracting the kinds of people who can innovate and create and, through savings of time at even the lowest levels, may in the long run save the Bank salaries of many more than just one or two persons. Thus, the question of over-staffing because of low calibre help is another hidden cost to be assessed when discussing salaries.

"The difficulties of making good banking officers out of low calibre intake are even more evident when male recruiting is considered. I am of the view that the general intellectual level of branch management is not adequate as it is and, when we are considering adding new services and demanding new skills of our Managers, I think that we will continue to diminish the image of the Bank Manager if we do not attempt to hire and pay for the best recruits. I have long wished to attempt an experiment by hiring very many less males on a much more selective basis and at a higher starting salary, such as $3,000/3,400 in Metropolitan Toronto. If turnover is reduced as a result, we will be better off in the long run. It is interesting to note that I.A.C. hires only Grade 13 boys at $3,600 per annum on an extremely selective basis. In personnel, just as in other respects, we get the kind of quality we pay for and it is my view that we deserve what we are getting at the present time. Each week I meet the graduating class at the Career Centre for five minutes and, in moving about the branches and at forums, I have an opportunity to meet the remainder of the personnel. Arising out of these meetings I feel that, if this is the material we have to meet the public and to train for management in the future, then I am quite concerned and sometimes feel that the public must indeed be patient and long-suffering to put up with the kind of service

they must be getting from these types of people. The fact is, of course, that the large number of accounts closed and the complaints coming into this building at 60 per month suggest that the public is not entirely satisfied.

"In addition, the teachers said quite bluntly during the High School Liaison Program that they would be unable to direct good material to banks at the present salary levels and that, if we wished to attract the top students from the high schools, we would have to pay starting salaries at higher levels.

"For these reasons I must return to my suggestion that the minimum female starting salaries be set as follows:

Grade 11	→	\$ 2,400 per annum
Grade 12	→	\$ 2,500 per annum
Grade 13	→	\$ 2,600 per annum.

We actually recruit very few Grade 12 and 13 females and the above would provide some incentive to improve hiring quality initially. I should very much like to experiment with hiring men as management trainees at the following salaries:

Grade 12	→	\$ 2,600.00
Grade 13	→	\$ 3,000.00.

"As you can see, I have devoted some considerable time to thinking about this subject during the past year and the above represents only a few aspects of the problem. The fact that salaries are a visible cost often conceals much greater invisible costs, as suggested by the figures set out. If these figures are anywhere near true, they are much too high to be ignored and I really feel that hiring the cheapest possible help may be in the long run penny-wise and pound-foolish. While in the very short term it may improve profits, it may have a very marked effect on the long-run objectives of the Bank — particularly on the male side. The public image of the banks, both in the schools and generally, as a good place in which to work is not too good as it is and I fear that if we persist in our present policies we may further harm internal morale as well as our face to the outside world and we also may pay dearly for these policies in ten or fifteen years' time."

'Women's College Hospital Archives'

DR. F. MARGUERITE HILL,
member of the Board

MRS. D.A.F. EDMONDS,
branch manager in Toronto

MISS LU CLYDE,
branch manager in Winnipeg

In addition to the quality of recruited personnel thus addressed so vigorously in Sharwood's memorandum, there was another problem: the attitude of an older (and therefore supervisory) generation toward female employees, who by now constituted 60 per cent of the total work force. Another memo circulated at this time makes the comment that:

"Too many male management in the Bank retain the attitude that women are still the 'weaker sex'. Women in business are as capable physically and mentally as men, and if accepting equal pay for equal work should and will accept responsibility".

Nevertheless, managers in the field when called to personnel conferences also maintained that there was more absenteeism on the part of women, partly due to their higher incidence of occasional sickness, and the fact that women were more likely to stay home if someone else in the family was sick.

There were also matters of the selection of women for the work force. This was in the branch managers' hands and few were really qualified to judge the potential of applicants. Again, though women responded well to training, the Career Centres were only in big cities; there were none in the regions. Material on training was sent out in large quantities but, in the view of one general manager as a result of his recent tour, "We are inundating the branches with more and more material sent with the best of intentions, but which they scarcely have time to read or comprehend if they do."

But training was becoming a very difficult problem. For almost a century, it had been done on the job by the branch manager or delegated by him (there were no 'hers' as yet) to the accountant. By early 1965, it was the opinion of C.A. Hetherington, in a memo to the chief general manager, that managers, though aware and concerned that proper training and development were not being carried out, had an attitude of helplessness and frustration in trying to ameliorate the situation. There were several reasons for this:

"1.Responsibility for training and development has never been closely defined. Although the Manager is aware that all func-

tions within the branch are rightly his responsibility, training and development are usually delegated duties and more practically become the responsibility of the Accountant. The Manager does set the tone in the office, however, and his attitude usually prevails.

2. High turnover and rapid rate of transfer allows each branch very little time to influence a man in his thinking or performance and thus the time and hard work involved in teaching very rarely benefits the branch that has made the effort.
3. There are no clearly defined steps or qualifications set for any level so that it is difficult to determine the proficiency of the employee. In other words because of the different routes a man may take to reach a certain level and because the branch is not immediately aware of what the man does or does not know causes difficulty in deciding what the training requirements actually are for each individual. Time and effort are wasted just in determining the extent of knowledge.
4. The Manager is hampered by heavy demands from the customers, from Head Office and Regional Office and from very heavy routine procedures. Most of these demands are considerably more pressing than training and development. To complicate the situation further, the level of experience of staff is low and the Manager finds himself dragged more and more into routine of branch.
5. New Managers are hampered by lack of knowledge of their own job. They find it sufficiently difficult to keep abreast of new techniques and procedures and of becoming skilled in the performance of their prime task, i.e. credit approval.
6. Managers are unable to identify training problems on a broad basis as, of course, they normally see only the situation locally as it affects them.
7. There appears to be a consistent critical approach by Head Office departments which has a very debilitating effect on the Manager's performance and to a greater or lesser degree creates a 'do nothing' attitude and divides the unity of the organization."

He suggested that:

(a) a thorough re-appraisal on agreed Bank-wide criteria of productivity be instituted, especially in view of the lower experience levels in the branch staff;

(b) better lines of communication be developed between Head Office, Regional Office and managers — regular meetings where managers' ideas and input could be discussed;

(c) a new flexibility in branch establishments be achieved, which would allow supernumeraries to be attached to a larger branch for specific training;

(d) a new emphasis on technical training (computers, etc.) be set up;

(e) a new and supportive attitude on the part of inspectors be required."

All this management activity — the memoranda are all lengthy, well-thought-out, and practical — finally causes the chief executive officer Neil McKinnon to ask for a full statement of "personnel position, policies, development and objectives" to be placed before the Executive Committee "on the third Thursday in April" 1965.

A nine-page document, accompanied by slides and graphs, it starts off with a simple statement of the objectives of the Bank's policy on personnel administration, which is "to maintain a personnel force possessing the necessary qualifications to provide unexcelled service to the Bank's customers and to develop and expand the Bank's business.

"It is implicit in this policy that continuing improvement must be achieved in the technical and public relations competence of the personnel, that sufficient trained officers must be available to provide for expanding operations and that a higher degree of motivation must be achieved through adequate remuneration, satisfactory working conditions, advancement opportunities, etc."

The chairman then proceeded to set the stage by outlining the present "composition of the [Canadian] work force, both male and female, their remuneration, age distribution and edu-

cational qualifications." The figures, being representative of the time, show the validity of the women's quarrel with them. In the male group, earnings gradually increased from $2,556 per annum for people under 20 to an average of $9,288 per annum at 60 and over. Women's salaries started lower: $2,330 at under 20 to $4,005 at age 45-50, with no increase at 60 or over. In other words, women were not being promoted to higher-paying jobs and their income was static for the last 20 years of their working lives. These same circumstances occurred in the Bank's profile: men up to 25 years earned $3,159 per annum on average, and were at $8,474 at age 51 or over, women averaged overall for their working lives $2,945. Other banks were shown to have almost the same profile, with a slight monetary edge for men at CIBC and a slight disadvantage for women.

This, as with the all-Canada statistics, showed that the higher, appointed position salaries had not been open to women. Men unappointed (i.e. not in the rank of assistant accountant or higher) numbered 2,495 at an average age of 25 and were one-sixth of the work force. Women were two-thirds of the work-force and all but 200 were unappointed at an average age of 27. Of the accountants out of that group, their average age was 38.4, their average wage $4,526. Of the accountants in the male group, the average age was 30.5 and their average salary was $5,175. It clearly took a woman almost 10 years longer to be promoted and yet her salary after such service was more than $600 less.

As to educational qualifications, the chairman noted that very few in the group had university degrees — 118 out of 5,563 men, and no women — but their remuneration grew much more rapidly: at an average age of 36.3, 51 of them were earning an average of $14,216 in a range from a low of $9,088 to a high of $24,667.

The review then went on to show, again in graphic form, the number of people required to maintain the Bank's working efficiency. What with retirements, resignations, and the opening of new branches, there would need to be 1,400 "men qualified to

fill management positions." There was also the fact that turnover in the ranks of the male work force had increased over the past five years until in 1964 it had reached 19.5 per cent of the total male work force. But the really serious loss, in view of the requirements previously mentioned, was that 40 per cent of the officers who had been lost had more than two years service.

Although the chairman did not think that the managerial requirements were "insurmountable" from the total work force, he did say that recruiting would look for better applicants from school in the regions, and that Head Office would continue to recruit some 15 or 20 a year from universities.

On balance, he maintained that present policies were reasonably adequate to provide the intake needed. He also emphasized that the Fellows Course in Banking (leading to the FCBA diploma) by correspondence, the courses at the Bank's Staff College for accountants and managers, the Career Centres, and certain secondments to universities for chosen staff members were filling the need for further education.

In a somewhat stand-pat summary which did not seem to reflect exactly the thinking of the above-cited memos to the president, he said:

"Looking to the future, we would anticipate that the emphasis on further education will have to be increased. Also the methods employed in in-branch training will have to be improved in order to equip the officers presently below the managerial rank to accept the accelerated promotion which will be necessary if we are to meet the requirements referred to previously for 1,400 new managers over the next ten years.

"On the basis of statistics on high school enrolments we would expect a slightly greater number of graduates to reach the labour market during the next 2/3 years. However, the very definite trend is for more of the capable high school graduates, which are the type we require, to go on to university so that we anticipate a gradual but steady increase in our University recruitment program over the next few years. Females will probably fill more and more of the junior supervisory positions,

such as assistant accountant and junior accountant level, and we anticipate, will in due course, be appointed to managerial positions on a limited basis. A trend of this nature will, of course, serve to free our existing male personnel for more senior managerial duties.

"Personnel problems are never entirely solved but with a blending of these factors we are confident that the efficiency and effectiveness of our work force can be maintained and improved."

However, banks — even the Commerce — do not move swiftly to implement what seem to be practical, indeed necessary, changes, especially in personnel. Two years later, despite continuing pressure from Gordon Sharwood, now in Head Office as deputy chief general manager, McKinnon still had to be convinced that major changes were necessary.

To help in the convincing, in April he personally appointed Kates Peat Marwick to study the Bank's personnel management and administration "in order to assess its effectiveness in dealing with present and future needs."

Their report, complete with recommendations and plans for implementation, was delivered to the chief general manager, L.G. Greenwood, on August 30, 1967. It called for the personnel function of the Bank to be "completely re-organized, re-oriented, and strengthened." It recommended the infusion of professionally trained personnel people and the immediate appointment of a senior woman personnel administrator in each of Manpower Planning, Manpower Development, and Compensation and Benefits at Head Office.

The report was scathing about the fact that there was too much routine paperwork and excessive executive control of decisions that could be delegated. It cited the fact that the deputy chief general manager had to approve a $500 bonus to a branch manager earning $8,800, as well as a $43 a month increase to another manager earning $7,400 and that salary revision slips were initialled by no less than seven officers before the deputy chief general manager put *his* initials on.

The whole present system of authority in personnel matters was so "unwieldy and time-consuming" that the new system must be set up separately while the old system continued; otherwise, the divisional general manager and officers of the division "would have insufficient time to take on the responsibility for the implementation of new proposals."

The report foresaw a four-year period for its recommendations to be put into place at a cost of $280,000 per year.

But it was not just personnel. If the personnel report were to be implemented, there would have to be a total re-organization of the Bank's organization and administrative practices. Kates Peat Marwick were asked to investigate this whole matter on the heels of their personnel report. The timeframe stretched into mid-1968 and would cost well over $50,000.

By 1968, Gordon Sharwood was chief general manager and many of the recommendations made by Kates Peat Marwick were being implemented. As one bank manager put it, the lines of communication between Head Office, regional headquarters and branches had been so improved that he knew more about the Bank's operations than he ever had before. By early 1969, Sharwood was able to say to *The Financial Post* that:

"We are one of the most decentralised banks in the sense of decision-making. Deputy, divisional and regional general managers are very much their own bosses. No one person can run a bank now. It's got to be a team effort."

That last remark would not sit too well with Neil McKinnon who had, in fact, been the Bank's final authority for years, especially since his part in bringing about the merger with Imperial. He was still five years away from the mandatory retirement age and had kept his possible successors at arm's length by appointing Wadsworth vice-chairman in Montreal and Currie in Vancouver. Then Sharwood put through an overall salary raise for the Bank's personnel without McKinnon's previous consultation and agreement (McKinnon being overseas at the time). That, on top of the other executive pressures Sharwood had been exerting, was too much for McKinnon. He took

THE EVER-WIDENING HORIZONS OF SERVICE
EVEN BROUGHT FLYING BANKS
TO THE FAR NORTH BY JUNE, 1970

Sharwood's job from him, announcing his successor to the press before telling Sharwood. Sharwood, not unreasonably, resigned immediately from the Bank, causing considerable flutter in the business press at the time.

Despite these executive tremors, personnel changes were coming about. Women branch managers had been appointed in Toronto, St. Catharines, Moncton, Niagara Falls, and Richmond Hill in 1968. British Columbia got its first woman manager when Mrs. Joan M. Wilson took over the branch at Grandview Highway & Renfrew in Vancouver. And, in a quite historic move, Dr. F. Marguerite Hill, physician-in-chief at Women's College Hospital, Toronto, was appointed to the board of the Bank in September 1968.

A new training program for tellers had been developed which emphasized personality, not just appearance, and was specifically designed to show tellers how to approach customers to sell the complete range of the Bank's constantly expanding services. Originally a pilot project in St. Catharines, Regina, Saskatoon, and Toronto, by April 1969 it was established as an integral part of the Toronto Career Centre's program.

J.F. Duffy had been appointed divisional general manager, Personnel in a newly structured Personnel Division which included Mrs. D.M. Smith as a superintendent.

Interviewed in the April 1969 issue of *The News*, Duffy was at pains to point out, right up front, that his division had "taken a fresh look at the whole subject of working for the Bank." Part of this had been the better integrated and wider use of computers. This, he said, "will allow more people to apply themselves to more meaningful jobs. There will be no loss of jobs, but rather an increase in the number of better jobs."

Not that this would mean less of the personal touch. The transference of mechanical record-keeping and paperwork to computers and other mechanical record-keeping and proofing technologies "should make it possible to free more personnel from routine work and give them time to deal personally with customers."

Duffy's most interesting and far-sighted comments came in answer to the question:

"What is the Bank doing to prepare personnel for new methods of banking?"

"We have greatly expanded our training facilities during the past five years, updating program content and upgrading the quality of instructors.

"New programs have been effectively introduced for training personnel for the latest services, such as Chargex.

"We are currently developing a manpower planning system which will assist us in planning the career development of personnel and also improve our hiring and promotion patterns.

"Our new Personnel Data System will enable us to keep better track of past experience of the educational courses an individual has taken and is planning to take. In the long run, this will lead to a more systematic training approach with a closer correlation between a person's qualifications and job expectations.

"The Bank has also invested substantially in the Staff College and Regional Career Centres and is enthusiastic about such outside courses as the Fellows' Program offered by the Institute of Canadian Bankers. More than 1,100 officers are enrolled in that program."

"Where is the emphasis in training being placed?"

"We're trying to provide more training on a 'pre-promotion' basis so that people called upon to assume new responsibilities will be better qualified.

"We are placing the training emphasis more specifically on individuals where and when it is needed."

Such training was very important because, he went on to say, the role of branch personnel was changing rapidly.

"Today, to a greater extent than before, every member of branch staff is a sales representative for the Bank, responsible for seeing that all customers receive good service and also for explaining the Bank's services to new customers.

"The Bank has been able to adopt a more aggressive sales-oriented approach to customer service following the 1967 changes in the Bank Act. There is now much keener competition among the banks.

"But another factor, as I mentioned earlier, is that machines are taking on more and more of the book work and other clerical tasks. This will give personnel the time to be with customers, to explain any changes in our range of services and to listen to and help the customer with his problems." The "grinding room" was out.

Presumably, Kates Peat Marwick had also been listened-to very carefully on its re-organization report. The managers in the branches were somewhat hostile to all this. Not, said one of them looking back, to the plan, which was good, but to the forced speed of implementation. As with computerization, Head Office imposed, but the branches had to *dis*pose.

Through all this, the Bank was growing tremendously. From the time of the merger with Imperial in 1961, the number of branches had increased by 228; the number of extra services — Chargex, a special oil and gas division, places for personnel training, computer operation — all had taken the scope of the Bank's Head Office to new levels in order to manage a total staff of just over 20,000. And 25 King Street West was bursting at the seams. Even the former tallest building in the Commonwealth could not cope. In any case, the Toronto Dominion had taken "the tallest" away from the Commerce. Mies van der Rohe's plan showed that the Toronto-Dominion Centre would be 54 storeys high. And the TD was the smallest of the big five banks in business terms. A new imposing Head Office building was called for. In fact, it had been foreseen in 1961.

When the Imperial and Commerce merged in 1961, the two headquarters were side by side. But just putting Commerce signs on the old Imperial building was hardly an adequate expression of the new joint clout of the CIBC. Plans to rebuild the area were laid almost immediately.

However, the 1960s was the era of the reformers in Toronto

City Council. Led by Mayor David Crombie (the "tiny perfect mayor"), height restrictions on new building projects were arbitrarily set at 40 feet only or Council had to know the reason why (40 feet is the height of a good-sized house). Donation, or provision, of parkland was necessary to make up for office or residential density. Parking had to be provided, but only enough that it did not encourage the use of automobiles. The Spadina Expressway had been stopped in its tracks, lest it bring more vehicles surging into the city every morning, as did the Gardiner and Don Valley expressways.

On July 6, 1964, the *Telegram* headlined its business section with the news that the Bank had bought the old Telegram building. As a result, the article said, rumours about a "vast redevelopment program for the district" seemed accurate. Such a development might well include the block bounded by Wellington, Bay, Melinda, and Jordan streets.

The Bank, however, had seen the difficulties that had beset the Eaton Centre planners when they announced a grandiose scheme that would have included the demolition of the old City Hall. So the Bank said, guardedly enough:

"The Bank owns certain properties immediately south of its present head office building which have been acquired to provide for future growth.

"There are no development plans in prospect at the present time."

That was strictly true, for the assembly of the land was a very slow process. In 1966, still with no announcement by the Bank, Mayor Philip Givens told an election rally that the development would include an 80- to 90-storey office tower. "It will," he said, "be a very high-rise development which will rival in importance the Toronto-Dominion Centre" then under construction.

The last property hold-out was overcome when the Ontario Club, neatly ensconced in a Victorian mansion on Wellington Street, finally capitulated, and agreed to put a new set of clubrooms on the top floor of a projected low-rise building to be constructed on the south (Wellington Street) side of the devel-

opment, not far from their original location. (It had not gone unnoticed during these protracted negotiations for the Ontario Club that Norman White, president of the club, was the public relations director for the Toronto-Dominion Bank, whose 54-storey tower would soon be topped by the Commerce if the development went ahead.)

There remained only the closure of two city streets — part of Melinda and all of Jordan — closures which City Council kept fending off. But by 1968, the reform City Council had run out of steam and development was once again on the city's mind. The motion to close the streets was passed, although there was still dickering about the price.

In August 1968, under the heading "Our Rising Bank Rate," the *Globe and Mail* gave a somewhat opinionated view of the whole scheme:

"With 26 suitably status-seeking feet more than the rival Toronto-Dominion Centre, the tower of Commerce Court will literally heighten our city's claim to having piled bricks, glass and mortar higher than any town in Canada. Better still, we can call it the tallest building in the Commonwealth — surely a title whose splendor gives us some kind of vested interest in keeping that much decried association alive.

"The three-building complex planned by the Canadian Imperial Bank of Commerce may not be revolutionary in design. Yet with its tower's long wide windows and shining metal finish, and its landscaped courtyard, it will bring brightness to our sombre city core. It promises, as bank chairman Neil J. McKinnon suggests, to be 'a pleasant place for people to see and to be in'.

"When the complex is finished in 1972, it will have both speeded significantly trends toward larger, integrated downtown planning and deepened the urgency of meeting resulting problems of inner-urban growth."

The Bank had made clear that the old tower — "the tallest building in the Commonwealth" — would be retained. The new tower would be beside it, fronting on King and Bay but set back

ARCHITECT'S RENDERING OF COMMERCE COURT

72 feet from King and 40 feet from Bay. A five-storey building on the Wellington Street south frontage would include the Ontario Club; a 13-storey building on the east, south of the existing tower, would thus finish the enclosure of an acre of plaza parkland.

The entire complex, according to the plans then announced, would have 2.86 million square feet of office space, 1.7 million of which would be available to other tenants.

Below ground in the main tower, and above ground in the two smaller buildings, there would be 45,000 square feet of retail area and there was a firm commitment to join the Commerce Court Concourse with the one under the Toronto-Dominion Centre by means of a tunnel under Bay Street.

At a Bank board meeting at which the directors were told of the scheme, McKinnon suggested a ball-park figure of some 100 million dollars for the construction. A figure which, as Frank Duncanson, the vice-president in charge of the project, maintained long afterwards was "out of the air."

"There was no costing; no real estimation. But that was the figure which I had, by my plan, to justify if possible".

As construction proceeded, the public was kept informed about the various stages by all three Toronto newspapers and the national trade magazines (*Heavy Construction*; *Canadian Machinery & Metal Working*; *Plumbing, Heating & Air Conditioning*), plus the national business papers: *The Financial Post* and *The Financial Times.*

One somewhat bizarre pause in construction was caused by the discovery on the part of the Toronto Telegram that the grave of a young girl, Stella Vanzante, was probably slap in the middle of the excavations of the main tower.

She had died early in the 1800s and it was thought that her father, John Vanzante, had buried her in what was, before the new building had been commissioned, the courtyard of the Toronto General Trust building. Transfer records showed that the father, when he had sold the land in 1815, had excluded a 24-square-foot "burial plot."

Careful excavation, however, and intense scrutiny of the soil, showed no trace of such a burial. After two anxious and press-ridden weeks, Stella Vanzante once more disappeared from sight and the foundation work went on at an increased pace.

McKinnon had cleared all the plans by I.M. Pei, the designer, and his partner, Kenneth Carruthers; Derek Buck, the architect and senior partner of Page and Steele, was the executive on the ground. Frank Duncanson was the Bank's man in charge and he was to allow no interference by, or visits from, other Bank executives until all was built. Those were McKinnon's orders.

They learned, as the rest of Toronto did, the "breakthroughs" in various techniques and equipment from the newspapers which, in turn, learned them from carefully scheduled press conferences and photo opportunities.

Some of the breakthroughs were mechanical:

- A heat-recovery system to store the emanations of the 16,000 people who would pass through the building each day, plus the heat emitted from 132,000 fluorescent lamps. That alone would heat all the buildings except on the very coldest days, for which an auxiliary system was to be incorporated (but scarcely ever used).
- An elevator system built to cope with cars travelling at 1,600 feet per minute.
- A totally new concept: a sprinkler system and allied smoke detectors which would make the complex "as safe as it is humanly possible to construct."

The outer shell of the building was to be stainless steel with a "special lustrous finish" — so special that it was to be wrapped in "a plastic bandage" for all 57 floors of the new tower, while it was under construction, to prevent "stains and scratches." (The unwrapping of its 466,000 square feet and the washing of the windows and cladding was a big news event in November 1971.)

Inside the building there was to be a full-time medical clinic staffed by five physicians on a 24-hour, 7-day-a-week basis.

All this coverage helped the rental people. As A.E. LePage Limited, the leasing agent, said, apart from all its mechanical

and structural firsts, "Where else are you going to find a courtyard full of beautiful honey locust trees right smack in the unbeautiful heart of the Toronto financial district?"

When it was ready to open in June 1973, a report to the board of the Bank stated that the total cost had gone up to $120 million from the original $100 million because of additional construction deemed necessary after the original estimate ($7 million); of upgrades in efficiency and aesthetics ($5 million); and "cost escalation" ($8 million). These bare-bone additions showed the original airiness of the agreed "budget" of three years before.

But it opened on time with no labour problems and with a remarkable safety record. The main tower was 80 per cent rented, and the south building 90 per cent rented. According to the Bank's calculations, the rental would bring a return on capital immediately of 7.8 per cent which, as time went on, more tenants came in, and rents themselves escalated, might go as high as 13.3 per cent.

In *The News*, curiously enough, there was no fanfare for the opening, and only a mention in December of the Annual Meeting attendees getting tours — none of the pages of pictures that had flooded *The Caduceus* 40 years earlier when the original tall building was opened. It was, and was intended to be, an imposing monument in one sense, but a regular workplace in another.

Frank Duncanson remembers, in fact, that the only opening party was for the hard-hat people who had over the previous three years built it. After that, Bank employees saw it for the first time.

The directors, aware in their own businesses of the sweeping changes affecting Canadian society with the emergence of a highly-motivated female work force, a much more sophisticated workplace, and a rapidly evolving global concept of business, wanted to keep the momentum of the Bank going.

That momentum would not necessarily come from an imposing headquarters complex, impressive as it was in the heart of the Toronto financial district. It would have to come from a vigorous involvement in the new opportunities for bank-

ing that the 1967 revisions had brought, from upgrading the quality of service, and a thorough training of the growing number of employees.

McKinnon therefore had, under pressure from his board, set up a committee under his chairmanship to review the role and functions of the senior executives who would have to evolve the policies and plan the execution of them.

In 1971, at the Annual Meeting, McKinnon reported on suggested changes in the Bank's by-laws governing these.

"Section 2.12 states in part:

"'Subject to the authority of the Board and of the Executive Committee of the Board,

(a) the President shall exercise general supervision, direction and control over the affairs of the Bank,

(b) the Chief General Manager, subject to the authority vested in the President under sub-section (a) above

(i) shall be charged with the active management of the business and affairs of the Bank'.

"With the adoption of these by-laws, the President by definition of function became the Chief Executive Officer."

McKinnon then said that he had recommended to the board that J. Page R. Wadsworth, while retaining his position as deputy chairman, should be appointed president, with the designation also of chief executive officer. He did not, in that recommendation, however, confer any new powers on the president or relinquish any of his own as chairman.

He also said that the new title for Wadsworth was "pro tempore," seeing that L.G. Greenwood, who had been president, had sought three months' sick leave on medical advice and requested the deputy chairmanship in Montreal.

The board saw, perhaps, yet another game of executive musical chairs being played by a strong chairman who had consistently sent people who might be thought to be chief executives in training to places away from headquarters in Montreal and Vancouver. A determined group of younger board members insisted that the line of succession be made clear — and even implemented.

NEIL J. MCKINNON
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To that end, McKinnon asked a committee of board members to meet and help him settle what might become a somewhat difficult situation.

Chaired originally by J.S. Leitch, a board vice-president who was president of Upper Lakes Shipping and a director of such major companies as Canada Life, Massey-Ferguson and Dofasco, eleven meetings were held, at one of which McKinnon outlined his ideas of how the Bank should be run.

Reporting in May 1972, the committee made it clear that they felt the chairman should respect the fact that the chief executive officer, Page Wadsworth, should be that in fact as well as in name.

"The committee recognizes the outstanding role the Chairman has played in bringing the Bank to its present state of development. It became increasingly apparent during the course of our studies, however, that the business of the Bank is rapidly changing and that the pressure on Bank executives has grown tremendously. The large number of changes in senior executive officers in recent years not only invites a potential loss of public confidence but has adversely affected morale within the Bank."

The board agreed and endorsed the report. As a result, they redefined the chairman's role as being chair of board meetings and a consultant only to the chief executive officer.

The chairman did not accept the report, but the president did, and when McKinnon directly asked the chief general manager, R.E. Harrison, to prepare certain information for an executive committee meeting, his request was denied by Wadsworth, who reminded McKinnon that now he himself was the only person authorized to demand such information.

McKinnon, faced with the loss of his long-held power base, decided to meet the board's concerns aggressively. His whole presentation, therefore, concerned itself with prudent management and with liquidity, totally ignoring the board's deep concerns about executive succession and the erosion of good middle management in reaction to somewhat authoritarian human-resource and personnel policies.

When McKinnon presented his arguments before the full board on June 7, 1973, it seemed to them that he was asking for a vote of non-confidence in the Bank's new management. The board was quite content — in fact, enthusiastic — about the new management's policies and achievements. They heard the chairman with respectful attention, but postponed any decision.

It was a decision they never had to take. Neil McKinnon's commitment to the Bank ultimately overrode his personal feelings and disappointment. On October 4, before the board had taken further action, he reluctantly acknowledged the wisdom of its counsel and announced he would not stand for re-election.

At the Annual Meeting in December 1973, the outgoing chairman made his final ringing remarks:

"At the time of my appointment as General Manager of The Canadian Bank of Commerce in 1952, the assets of the Bank amounted to $1,800 million and by 1960 amounted to $3,200 million. In 1961, the Imperial Bank of Canada and The Canadian Bank of Commerce merged, and following the merger, the assets of Canadian Imperial Bank of Commerce totalled $4,600 million. As you have seen from the Annual Report this year, the total assets are now over $16 billion. In 1952 the paid-up capital of The Canadian Bank of Commerce amounted to $30,000,000, by 1960 this was increased to $54,000,000, and following the merger, was $69,680,000 at which figure it now stands. The Rest Account in 1952 was $35,000,000 and it is now $415,000,000, of which by far the major part came from earnings retained in the business. The accumulated appropriations for losses in 1952 amounted to $28,000,000. In those days they were referred to as Inner Reserves. The total in this heading now is $205,000,000, of which $96,700,000 represents a tax paid reserve. These are free reserves to provide for future losses, as all known losses are provided from year to year. The balance of revenue by the Commerce in 1952 was $13,400,000. By 1960, it was $39,200,000. Following the merger in 1961, the balance of revenue was $48,000,000, and for this year, as you will have seen, the balance of revenue amounted to $181,400,000. Again, in

J. PAGE R. WADSWORTH:
MAN FOR THE 70'S

1952, the balance of profits after income tax and transfer into reserves was $4,500,000. By 1961, it was $17,700,000. This past year, it was $54,900,000. Dividends paid by the Commerce in 1952 amounted to $3,600,000 at the rate of 24 cents per share. By 1961, this figure was $13,700,000 at the rate of 39 cents per share. This past year, the amount paid in dividends was $33,400,000 at the rate of 96 cents per share, and as you know, the rate at this time is $1.00 per share. The number of branches in 1952 amounted to 631. By 1961, following the merger, the number of branches amounted to 1,268, and today, as you have heard, the number of branches is 1,652. During the 21-year period, the number of personnel tripled and now numbers 25,217. The number of shareholders has considerably more than doubled and now stands at 33,000."

This was an accurate and concise summary of the statistical achievements of the Bank under the able direction and leadership of Neil J. McKinnon. It did not, typically, say anything about the human-resource side. Yet the temper of the times was such that future executives, to be successful, would have to adopt a much more open management style. The board certainly recognized this and, having taken charge of the succession process, they looked for a person who would not only bring sound financial management to the chief executive's office, but a much more open style — a style that would make maximum use of all the talents spread throughout the Bank's personnel at all levels.

Their intent was made abundantly clear when they chose J. Page R. Wadsworth as McKinnon's successor. A long-time friend and colleague of Neil McKinnon, he was quite different in personality. He was particularly adept at personal and staff relations. Though quite aware of his position as chief executive officer, he still sought the advice and support of his fellow officers. But the final decisions were his and he saw that they were implemented. It was an excellent choice. He would be able to guide the Bank through a transitional period of calm and consolidation so that it could, with renewed confidence and vigour, face the challenges of the global '70s.

Appendix A
Directors and Principal Officers of The Canadian Bank of Commerce and The Canadian Imperial Bank of Commerce 1931 - 1973

Chairmen of the Board

Sir Joseph W. Flavelle, Bart., LL.D.	from Apr. 25, 1924	to Jan. 11, 1938
The Rt. Hon. Sir W. Thomas White, G.C.M.G., K.C.	from Jan. 11, 1938	to Dec. 12, 1944
Sydney H. Logan	from Dec. 12, 1944	to Dec. 14, 1948
Allan E. Arscott, C.B.E.[1]	from Dec. 14, 1948	to Oct. 14, 1952
Stanley M. Wedd	from Oct. 31, 1952	to Dec. 11, 1956
James Stewart, C.B.E., LL.D.	from Dec. 11, 1956	to Dec. 8, 1959
Neil J. McKinnon, LL.D.[2,3]	from Dec. 8, 1959	to Dec. 11, 1973
L. S. Mackersy4	from Mar. 1, 1953	to May 23, 1963
J. Page R. Wadsworth[5]	from Dec. 11, 1973	to Dec. 14, 1976

Presidents

Sir John Aird[6]	from Apr. 25, 1924	to Jan. 12, 1937
Sydney H. Logan	from Jan. 12, 1937	to Dec. 12, 1944
Allan E. Arscott, C.B.E.	from Dec. 12, 1944	to Dec. 14, 1948
Stanley M. Wedd	from Dec. 14, 1948	to Oct. 31, 1952
James Stewart, C.B.E., LL.D.	from Oct. 31, 1952	to Dec. 11, 1956
Neil J. McKinnon, LL.D.[2]	from Dec. 11, 1956	to May 23, 1963
J. Page R. Wadsworth[7]	from May 23, 1963	to Dec. 8, 1964
	from Sept. 2, 1971	to Dec. 11, 1973
W. M. Currie	from Dec. 8, 1964	to Apr. 1, 1968
Lawrence G. Greenwood	from Apr. 1, 1968	to Sept. 2, 1971
Russell E. Harrison	from Dec. 11, 1973	to Dec. 14, 1976

Vice-Chairmen

H. W. Thomson	from May 23, 1963	to Apr. 20, 1971
J. Page R. Wadsworth	from Dec. 8, 1964	to Dec. 1, 1970
W. M. Currie	from Apr. 1, 1968	to May 21, 1975
Lawrence G. Greenwood	from Sept. 2, 1971	to Dec. 2, 1976

Executive Vice-Presidents

Allan E. Arscott, C.B.E.	from Dec. 8, 1942	to Dec. 12, 1944
Stanley M. Wedd	from Dec. 9, 1947	to Dec. 14, 1948

Vice-Presidents

The Rt. Hon. Sir W. Thomas White, G.C.M.G., K.C.	from July 23, 1920	to Jan. 11, 1938
E. R. Wood, LL.D.[1]	from Jan. 10, 1928	to Dec. 10, 1940
A. F. White[1]	from Nov. 9, 1928	to July 10, 1949
Miller Lash, K.C.	from Dec. 13, 1938	to Oct. 8, 1941
Allan E. Arscott, C.B.E.	from Dec. 10, 1940	to Dec. 8, 1942
George A. Morrow	from Dec. 9, 1941	to Dec. 9, 1952
Stanley M. Wedd	from Sept 21, 1945	to Dec. 9, 1947
E. C. Fox, LL.D.	from Dec. 11, 1945	to Dec. 8, 1959
James Stewart, C.B.E., LL.D.	from Nov. 17, 1950	to Oct. 31, 1952
Neil J. McKinnon, LL.D.	from May 28, 1954	to Dec. 11, 1956
H. R. MacMillan, C.B.E., LL.D., D.Sc.	from Dec. 14, 1954	to Dec. 10, 1957

General Managers

Sydney H. Logan	from Jan. 12, 1926	to Jan. 12, 1937
Allan E. Arscott, C.B.E.	from Jan. 12, 1937	to Dec. 15, 1942
Stanley M. Wedd	from Dec. 14, 1942	to Dec. 9, 1947
James Stewart, C.B.E., LL.D.	from Dec. 9, 1947	to Oct. 31, 1952
Neil J. McKinnon, LL.D.	from Oct. 31, 1952	to Dec. 11, 1956
J. Page R. Wadsworth[8]	from Dec. 11, 1956	to May 23, 1963

Chief General Managers

W. M. Currie [9]	from June 1, 1963	to Dec. 8, 1964
Lawrence G. Greenwood	from Dec. 8, 1964	to Apr. 1, 1968
Gordon R. Sharwood	from Apr. 1, 1968	to Aug. 26, 1969
Russell E. Harrison [10]	from Sept. 1, 1969	to Dec. 11, 1973
R. Donald Fullerton [10]	from Dec. 11, 1973	to Dec. 14, 1976

Directors

Sir Joseph W. Flavelle, Bart., LL.D.	from June 16, 1896	to Jan. 11, 1938
E. R. Wood, LL.D.	from Jan. 8, 1907	to June 16, 1941

Charles W. Colby, M.A., Ph.D., LL.D., D.C.L. [11]	from Feb. 23, 1912	to Apr. 4, 1952
George W. Allan, K.C. [1]	from Jan. 14, 1913	to Dec. 6, 1940
Henry J. Fuller	from Jan. 14, 1913	to Dec. 14, 1954
Frank P. Jones [1]	from Jan. 14, 1913	to Feb. 27, 1939
Herbert C. Cox	from Jan. 11, 1916	to Dec. 12, 1944
Charles N. Candee [1]	from June 15, 1917	to Jan. 13, 1932
William W. Hutchison [1]	from Jan. 14, 1919	to Jan. 20, 1946
Hugh R. Silver	from Jan. 14, 1919	to Dec. 18, 1931
The Rt. Hon. Sir W. Thomas White, G.C.M.G., K.C.1	from Nov. 7, 1919	to Feb. 11, 1955
J. A. Richardson, LL.D. [1,3]	from Jan. 13, 1920	to June 26, 1939
Thomas A. Russell, LL.D. [1]	from Jan. 13, 1920	to Dec. 29, 1940
Sir John Aird1	from July 23, 1920	to Nov. 30, 1938
Sir Alexander Mackenzie, K.B.E.	from July 23, 1920	to Jan. 11, 1938
Miller Lash, K.C. [1]	from Nov. 11, 1921	to Oct. 8, 1941
Gordon C. Edwards, M.P. [1]	from Nov. 10, 1922	to Nov. 2, 1946
Howard S. Ambrose [1,12]	from Jan. 8, 1924	to Feb. 19, 1954
William E. Phin [1,12]	from Jan. 8, 1924	to Feb. 16, 1939
Isaac Pitblado, K.C., LL.D. [1,12]	from Jan. 8, 1924	to Dec. 8, 1959
William Pitt Riley [1,12]	from Jan. 8, 1924	to May 14, 1954
Alan V. Young [12]	from Jan. 8, 1924	to Dec. 12, 1961
John Stuart [1]	from Mar. 19, 1926	to Aug. 8, 1957
The Rt. Hon. Lord Shaughnessy, K.C. [1]	from Oct. 26, 1926	to Oct. 4, 1938
John P. Bickell [1]	from Apr. 27, 1928	to Aug. 22, 1951
George A. Morrow, O.B.E.	from Apr. 27, 1928	to Oct. 30, 1953
Alexander R. Auld [13]	from Nov. 9, 1928	to Jan. 4, 1935
Frederick W. Cowan [1,13]	from Nov. 9, 1928	to Jan. 26, 1949
William K. George [1,13]	from Nov. 9, 1928	to June 26, 1932
Alexander M. M. Kirkpatrick [1,13]	from Nov. 9, 1928	to Sept. 23, 1944
Sydney H. Logan [1]	from Nov. 9, 1928	to Jan. 9, 1953
Arthur F. White [1,13]	from Nov. 9, 1928	to July 10, 1949
Thomas H. Wood [1,13]	from Nov. 9, 1928	to Apr. 30, 1938
The Hon. Donat Raymond	from July 5, 1929	to Dec. 8, 1959
James S. McLean [1]	from Jan. 14, 1930	to Sept. 1, 1954
Harvey R. MacMillan, C.B.E., LL.D., D.Sc.	from Jan. 2, 1931	to Dec. 8, 1959
Col. Walter Gow, K.C.	from Jan. 2, 1931	to Feb. 19, 1954
Gordon Farrell	from Jan. 11, 1938	to Dec. 14, 1965
John C. Newman [1]	from Jan. 11, 1938	to June 3, 1953
George R. Cottrelle, O.B.E. [1]	from July 28, 1938	to Jan. 1, 1953
Alfred N. Mitchell	from Nov. 18, 1938	to Dec. 8, 1959
Allan E. Arscott, C.B.E. [1]	from Dec. 9, 1938	to Oct. 14, 1952

James S. Duncan, C.M.G.	from Apr. 18, 1941	to Dec. 7, 1956
Edward C. Fox, LL.D.	from Nov. 28, 1941	to Dec. 8, 1959
Harold M. Turner	from Nov. 28, 1941	to Dec. 13, 1966
Edgar G. Burton, C.B.E. [1]	from Nov. 17, 1944	to Oct. 31, 1953
	from April 25, 1958	to May 8, 1968
Robert H. Reid	from Nov. 17, 1944	to May 9, 1958
Stanley M. Wedd	from Nov. 17, 1944	to Dec. 8, 1964
Henry Borden, C.M.G., Q.C.	from Nov. 22, 1946	to Dec. 8, 1970
The Hon. John Hart, LL.D.	from Jan. 2, 1948	to Nov. 25, 1955
Edmund L. MacDonald [1]	from June 25, 1948	to Feb. 7, 1957
James Stewart, C.B.E., LL.D.	from Oct. 7, 1949	to Dec. 13, 1966
Rhys M. Sale, LL.D., D.Sc.	from Apr. 21, 1950	to Dec. 12, 1967
Eric L. Harvie, Q.C., LL.D.	from Sept. 22, 1950	to Dec. 13, 1966
John A. McDougald [1]	from Dec. 12, 1950	to Mar. 15, 1978
Ernest C. Gill, LL.D., F.S.A.	from Feb. 9, 1951	to Dec. 12, 1972
Hon. G. Peter Campbell, Q.C., LL.D.	from Sept. 7, 1951	to Jan. 16, 1964
Joseph Harris, LL.D.	from Jan. 11, 1952	to Dec. 13, 1966
Hon. George B. Foster, M.B.E., Q.C.	from Apr. 4, 1952	to Dec. 12, 1967
Hon. C. C. Pratt, O.B.E. [1]	from Nov. 28, 1952	to Nov. 13, 1963
W. A. G. Kelley, Q.C., LL.B.	from Feb. 20, 1953	to Oct. 31, 1958
Graham Morrow, O.B.E., E.D.	from Oct. 30, 1953	to Dec. 9, 1969
Howard J. Lang	from Nov. 13, 1953	to Jan. 20, 1983
James D. Zellerbach, LL.D. [1]	from Nov. 13, 1953	to Aug. 3, 1963
John D. Leitch	from Feb. 19, 1954	to Jan. 17, 1991
James A. Richardson	from Feb. 19, 1954	to Aug. 1, 1968
Neil J. McKinnon, LL.D.	from May 28, 1954	to Aug. 4, 1975
Duncan K. MacTavish, O.B.E., Q.C. [1]	from Nov. 12, 1954	to Nov. 15, 1963
William F. McLean	from Nov. 19, 1954	to Jan. 15, 1987
Einar M. Gunderson, F.C.A.	from Feb. 5, 1955	to Mar. 31, 1964
Maxwell H. W. Mackenzie, C.M.G., C.A.	from Mar. 18, 1955	to Dec. 13, 1977
Sir Roy H. Dobson, C.B.E., F.R.Ae.S.	from Nov. 25, 1955	to Dec. 13, 1966
J. Geoffrey Notman, O.B.E., P.Eng	from Nov. 25, 1955	to Dec. 14, 1971
Robert B. Anderson, LL.B.	from Setp. 14, 1956	to June 14, 1957
Hon. M. Wallace McCutcheon, C.B.E., Q.C.	from Sept. 14, 1956	to Aug. 16, 1962
Frank V. C. Hewett, B.A.Sc. [1]	from Oct. 26, 1956	to Dec. 27, 1957
Bertram M. Hoffmeister, C.B., C.B.E., D.S.O.	from Dec. 7, 1956	to Oct. 1, 1958
Hon. Frank M. Ross, C.M.G., M.C., LL.D.	from Dec. 7, 1956	to Dec. 13, 1966
Allan Graydon, Q.C.	from Feb. 22, 1957	to Dec. 10, 1968
J. Grant Glassco, O.B.E., F.C.A.	from Oct. 4, 1957	to Sept. 20, 1968

Hon. Robert H. Winters, [1] LL.D., D.Eng., D.Sc.	from Oct. 4, 1957 from June 6, 1968	to Jan. 6, 1966 to Oct. 10, 1969
J. Page R. Wadsworth	from Dec. 10, 1957	to Jan. 21, 1982
William F. James, Ph.D.	from Jan. 17, 1958	to Dec. 13, 1966
J. D. Barrington, B.A.Sc.	from Jan. 31, 1958	to Dec. 8, 1970
Hon. John V. Clyne	from Aug. 28, 1958	to Feb. 3, 1972
Edward W. Bickle [1]	from Dec. 5, 1958	to May 2, 1961
George H. McIvor, C.M.G.	from Mar. 13, 1959	to Dec. 13, 1966
Theodore O. Peterson	from Oct. 23, 1959	to Dec. 9, 1969
J. M. Buchanan	from Dec. 8, 1959	to Dec. 12, 1967
Peter P. Daigle	from Dec. 8, 1959	to Oct. 6, 1966
J. Herbert Smith, D.Sc.	from Dec. 8, 1959	to Dec. 11, 1979
Ralph W. Cooper [14]	from Sept. 16, 1960	to Dec. 12, 1978
A. W. Baillie [15]	from June 1, 1961	to Dec. 12, 1978
Arthur L. Bishop [15]	from June 1, 1961	to Dec. 13, 1966
George M. Black, Jr. [15]	from June 1, 1961	to May 2, 1974
J. A. Boyd [15]	from June 1, 1961	to Dec. 10, 1968
E. E. Buckerfield [15]	from June 1, 1961	to Dec. 13, 1966
C. G. Cockshutt, M.C. [15]	from June 1, 1961	to Dec. 13, 1966
Julian S. Crossley [15]	from June 1, 1961	to Oct. 26, 1961
G. T. Cunningham [15]	from June 1, 1961	to Dec. 8, 1964
Nelson M. Davis [15]	from June 1, 1961	to Dec. 14, 1976
R. G. B. Dickson, Q.C. [15]	from June 1, 1961	to Nov. 21, 1963
P. M. Fox, D.C.L., D.Sc.F. [15]	from June 1, 1961	to Dec. 8, 1970
E. J. Friesen [15]	from June 1, 1961	to Oct. 31, 1964
Eliot S. Frosst [15]	from June 1, 1961	to Dec. 10, 1968
Sydney M. Hermant [15]	from June 1, 1961	to Jan. 20, 1983
J. William Horsey [15]	from June 1, 1961	to Dec. 13, 1966
Robert J. Hull [15]	from June 1, 1961	to May 9, 1963
L. S. Mackersy, M.C. [15]	from June 1, 1961	to Dec. 13, 1966
W. S. M. MacTier, M.C. [15]	from June 1, 1961	to Dec. 13, 1966
H. L. McCulloch [15]	from June 1, 1961	to Dec. 12, 1967
J. A. Northey [15]	from June 1, 1961	to Dec. 12, 1961
J. S. Proctor [15]	from June 1, 1961	to May 10, 1962
F. G. Rolph1, [15]	from June 1, 1961	to Feb. 6, 1963
H. E. Sellers, C.B.E., LL.D. [15]	from June 1, 1961	to Dec. 11, 1962
Jules R. Timmins, O.B.E., LL.D., D.Sc. [15]	from June 1, 1961	to Dec. 10, 1963
J. H. G. F. Vale15	from June 1, 1961	to Nov. 4, 1964
W. P. Walker, O.B.E. [1,15]	from June 1, 1961	to July 1, 1968
W. E. Williams [15]	from June 1, 1961	to Dec. 2, 1965
H. W. Thomson [1]	from May 10, 1962	to June 25, 1976
I. D. Davidson, C.B.E.	from Dec. 11, 1962	to Dec. 14, 1971

A. A. McMartin	from Dec. 11, 1962	to Apr. 1, 1971
A. P. Frame	from June 6, 1963	to Dec. 8, 1970
Reed O. Hunt	from Aug. 15, 1963	to Dec. 10, 1974
Maj. Gen. Hon. E. C. Plow, C.B.E., D.S.O., C.D., D.C.L.	from Sept. 26, 1963	to Dec. 10, 1974
J. E. Richardson, LL.B.	from Mar. 12, 1964	to Jan. 15, 1981
André Monast	from Apr. 9, 1964	to Jan. 19, 1995
William M. Currie	from May 21, 1964	to Dec. 11, 1973
J. D. Simpson	from May 21, 1964	to Dec. 14, 1971
Albert L. Fairley, Jr.	from Mar. 4, 1965	to Jan. 19, 1984
Robert G. Rogers	from Apr. 1, 1965	to Aug. 4, 1983
Edgar L. Hickman	from June 3, 1965	to Dec. 13, 1977
A. A. Thornbrough	from Dec. 14, 1965	to Jan. 15, 1981
Jean Charles Lefficier	from Feb. 3, 1966	to Dec. 14, 1971
Hon. George C. Marler, P.C., M.L.C., B.C.L., LL.D.	from Mar. 3, 1966	to Dec. 9, 1969
M. E. Jones, Q.C., LL.B.	from May 5, 1966	to Jan. 21, 1988
Peter D. Curry, LL.D.	from Sept. 1, 1966	to Sept. 30, 1970
G. R. Hunter, Q.C.	from Sept. 1, 1966	to Jan. 21, 1988
M. A. East	from Oct. 6, 1966	to Nov. 22, 1973
Alfred Powis	from Oct. 6, 1966	to present
Horace J. Fraser, Ph.D., P.Eng. (Ontario) [1]	from Nov. 3, 1966	to Feb. 2, 1969
Jean P. W. Ostiguy	from Jan. 5, 1967	to Nov. 26, 1983
Harry F. Oppenheimer, M.A., D.Econ., LL.D.	from Feb. 2, 1967	to Dec. 10, 1974
Hon. Angus J. B. Ogilvy	from Apr. 6, 1967	to Dec. 14, 1976
Rt. Hon. Lord McFadzean	from Nov. 2, 1967	to Dec. 10, 1974
L. G. Greenwood	from Nov. 23, 1967	to Jan. 16, 1992
Dr. John J. Deutsch [1]	from Dec. 7, 1967	to Mar. 19, 1976
T. M. Mayberry	from Dec. 7, 1967	to Dec. 11, 1973
J. H. Moore, F.C.A.	from Feb. 1, 1968	to May 31, 1979
R. Fraser Elliott, Q.C.	from June 6, 1968	to Jan. 16, 1992
F. Marguerite Hill, M.A., M.D., F.R.C.P. (C)	from Aug. 1, 1968	to Jan. 16, 1986
A. J. MacIntosh, Q.C., LL.B.	from Sept. 5, 1968	to Jan. 16, 1992
George T. Richardson, B.Com.	from Sept. 5, 1968	to Nov. 26, 1983
Robert C. Scrivener	from Nov. 7, 1968	to Jan. 17, 1985
Trevor F. Moore	from Dec. 5, 1968	to Dec. 9, 1975
Hon. Ernest C. Manning, P.C., LL.D.	from Feb. 6, 1969	to Dec. 12, 1978
Marsh A. Cooper, M.A.Sc., P.Eng.	from Mar. 6, 1969	to Jan. 20, 1983
James W. Kerr, B.Sc., P.Eng.	from Mar. 6, 1969	to Jan. 17, 1985
J. C. Barrow	from Dec. 4, 1969	to Jan. 17, 1985

W. M. Hatch	from Dec. 9. 1969	to Jan. 25, 1994
Hon. Nelson Rattenbury [1]	from Sept. 3, 1970	to May 27, 1973
Conrad S. Riley	from Dec. 3, 1970	to Jan. 15, 1987
R. E. Harrison	from Dec. 3, 1970	to Jan. 16, 1992
Karl E. Scott, J.D., LL.D.	from Jan. 7, 1971	to Dec. 9, 1975
Baron Hubert J. N. Ansiaux	from June 3, 1971	to Dec. 9, 1975
Hon. John P. Robarts, P.C., Q.C., LL.D., D.C.L. [1]	from Nov. 18, 1971	to Oct. 18, 1982
Olivier Lecerf	from Dec. 14, 1971	to May 7, 1987
William James, Ph.D., P.Eng.	from Feb. 3, 1972	to Dec. 10, 1974
Edmund C. Bovey	from Mar. 2, 1972	to Jan. 15, 1987
Hugh G. Hallward	from Mar. 2, 1972	to Jan. 15, 1987
W. V. Moore, B.Com.	from May 4, 1972	to Mar. 1, 1973
Bruce F. Willson, B.Sc.	from May 4, 1972	to Dec. 10, 1974
Thomas H. McClelland, B.Sc., P.E.	from June 1, 1972	to Dec. 11, 1979
Sir David Barran	from Aug. 3, 1972	to Jan. 15, 1981
Walter G. Ward	from Sept. 7, 1972	to Jan. 17, 1985
A. D. Hamilton	from Apr. 5, 1973	to Jan. 21, 1988
Denis W. Timmis	from June 7, 1973	to May 6, 1976
E. H. Crawford	from July 5, 1973	to present

1 Died in office

2 Elected Chairman of the Board, President and Chief Executive Officer on December 8, 1959

3 Also Chief Executive Officer from 1962 to 1972

4 Chairman of Imperial Bank of Canada

5 Also Chief Executive Officer

6 Also held position of General Manager until January 12, 1926

7 Also Deputy Chairman & CEO

8 Also elected as Vice-President on Dec. 10, 1957

9 First appointment of Chief General Manager

10 Executive Vice-President and Chief General Manager

11 Former Director of Eastern Townships Bank

12 Former Director of Bank of Hamilton

13 Former Director of The Standard Bank of Canada

14 Since 1867, a total of 143, of whom 41 were on the Board at the time of amalgamation with the Imperial Bank of Canada

15 Former Directors of Imperial Bank of Canada

APPENDIX B

FINANCIAL PROGRESS
OF
THE CANADIAN BANK OF COMMERCE
(Opened for business May 15, 1867)
AND
THE CANADIAN IMPERIAL BANK OF COMMERCE

TABLE I: HIGHLIGHTS FROM THE ANNUAL REPORTS
1930 - 1973

Year	Dividend %*	Capital $000	Reserve $000	Deposits $000	Loans $000	Assets $000
1930	12+1	30,000	30,000	520,966	422,899	687,117
1935	8	30,000	20,000	534,388	260,526	629,536
1940	8	30,000	20,000	615,074	285,744	704,480
1945	6	30,000	20,000	1,202,981	256,889	1,284,321
1950	10	30,000	30,000	1,623,713	577,274	1,755,317
1955	11.4	37,477	65,962	2,211,427	1,060,622	2,356,910
1960	19.5	54,000	130,000	2,916,469	1,601,346	3,155,274
1965	24.5	69,680	240,000	5,637,418	3,435,259	6,208,405
1970	34	69,680	325,000	10,180,598	5,242,015	11,050,583
1973	48	69,680	415,000	14,801,143	8,984,594	16,101,666

* divide the dollar amount of dividends paid by the capital stock

TABLE II: INCREASES IN CAPITAL STOCK
1929 - 1973
($000)

1929	$25,000 to $30,000	(new stock issued at $200)
1954	$30,000 to $37,500	(new stock at $27 based on 10:1 split)
1957	$37,500 to $45,000	(new stock at $30)
1958	$45,000 to $54,000	(new stock at $32)
1961	$54,000 to $69,680	(value after amalgamation)

TABLE III: NUMBER OF SHAREHOLDERS OF
THE CANADIAN BANK OF COMMERCE AND
THE CANADIAN IMPERIAL BANK OF COMMERCE
1931 - 1973 (at end of fiscal year)

1931	10,951	1953	15,376
1932	11,222	1954	15,605
1933	11,419	1955	18,293
1934	11,551	1956	17,231
1935	11,673	1957	18,373
1936	12,000	1958	18,296
1937	12,054	1959	20,371
1938	12,019	1960	20,705
1939	12,177	1961	20,883
1940	12,218	1962	25,207
1941	12,288	1963	25,816
1942	12,281	1964	27,099
1943	12,217	1965	28,117
1944	12,284	1966	29,117
1945	12,471	1967	29,878
1946	12,689	1968	31,985
1947	13,070	1969	33,599
1948	13,486	1970	32,856
1949	13,936	1971	31,822
1950	14,401	1972	31,430
1951	14,918	1973	31,375
1952	15,302		

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